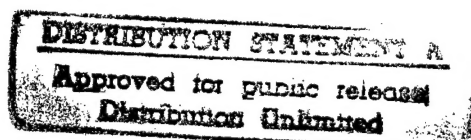


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## Near East/South Asia Report

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21 March 1984

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ARTICLE EXAMINES EFFORTS TO CREATE MAGHREB COMMUNITY

London AFRICA CONFIDENTIAL in English No 3, 1 Feb 84 p 2

[Text]

King Hassan of Morocco is trying to isolate Algeria because of Algerian support for *Polisario* in Western Sahara. But as a consequence Hassan is damaging Habré's position in Chad. The reason lies in the complex diplomatic efforts to create a community of Maghreb states, namely Tunisia, Algeria, Libya, Mauritania, Morocco and the Western Sahara, once it is independent.

The initial signatories of the Maghreb plan were Tunisia and Algeria last March. Mauritania joined a few months later, and in December Libya applied formally to become a member of the new community. This was acceptable to the first three members, but Algeria made a precondition: Libya should first settle outstanding border problems, to avoid rifts within the Maghreb membership.

The main border in question was, of course, the Aozou Strip on the frontier with Chad, an area which may not directly affect the Maghreb countries, but which looks like involving north Africa in a drawn-out dispute. The Libyan claim is based on an agreement between Laval and Mussolini which was never ratified, while the border which Chad considers to be correct is the one drawn up by France and the Libyan monarchy. Tripoli refuses to recognise the French version, for obvious territorial and political reasons and because it maintains that agreements between colonial powers and their subject states lack validity.

Libya's reaction to the Algerian request to sort out borders was muted. But the Moroccan media, reflecting official opinion in Rabat, attacked the Algerian condition as an attempt by Algiers to dominate the Maghreb. And last week a co-operation treaty was signed by Jadallah Azouz Al Talhi of Libya and prime minister Karim Lamrani of Morocco. The agreement provides for a wide range of economic cooperation, a joint banking system and the suggestion that Libya will meet Morocco's oil and gas needs. King Hassan II of Morocco (who is due to visit Libya soon) said on the occasion that the construction of the Maghreb would pass through a number of stages, stressing that there was no contradiction between these developments and relations between "Libya and Tunisia, Libya and Algeria, Tunisia and Algeria". In fact, King Hassan wants all the treaties signed so far to be scrapped and the whole process negotiated anew to take account of "all members' interests". He wants to exclude any future Saharan state. Col Gadaffi would probably go along with a suggestion which absolved Libya from admitting that the Aozou Strip is in contention.

The Nigerians have sent a message to the OAU suggesting another Chad conference before the ministerial council meeting next month. It is feared that both Chad and the Western Sahara might divide the organisation, as was the case in 1982. With the Moroccan wedge between Algeria and Libya, which are now at odds over the Chad border question, the OAU is even more confused than in 1982 ●

ISLAMIC BANKS' ROLE IN SOCIO-ECONOMIC DEVELOPMENT EXPANDED

Cairo AL-MUSAWWAR in Arabic Nos 3089, 3090 and 3091; 23, 30 Dec 83 and 6 Jan 84

[Article by Ahmad Hassan and Dr Shawqi Shihatah: "Role of Islamic Banks in Social and Economic Development"]

[23 Dec 83 p 64-68]

[Text] The Islamic banks have developed a presence that has imposed itself on banking transactions in Egypt and the Arab and Islamic world. Even though this presence is only a few years old, these banks have attracted the interest of the masses of Muslim clients in all the Islamic countries in which this type of bank has been founded.

The Islamic banks have become a reality and have formed a new phenomenon imposing itself on the international banking system, which has been required to study this phenomenon and to deal with it because it represents a human volume, a volume of transactions and a greater volume of resources embodied in the deposits, accounts and partnerships in a large number of major projects.

The Islamic banks are founded on the basis of the thought and practice of the Shari'a. However, the newness of the system and the interpretation in thought and practice may raise some questions regarding implementation and its directions. Moreover, the presence of these banks in the Islamic countries makes it beneficial for them to establish contacts and cooperation among themselves to entrench Islamic thought and enrich its application. In every country where they are found, these banks have been established to perform their required role of developing the economy of the country concerned and of the Islamic countries generally according to the same intellectual bases derived from the honorable Islamic Shari'a. On the other hand, these banks have to prove their success to their clients by realizing the yield they expect from the investment of the monies that are deposited in these banks.

This is why the Faysal Islamic Bank of Egypt, the pioneer of this Islamic experiment, called for a plenary symposium on the role of the Islamic banks in economic and social development. The symposium was held last week in six sessions over a period of 3 days. During the sessions, nearly 20 studies of the various aspects of Islamic thought and Islamic application in the banking system and economic and social development were discussed. Seventeen organizations from Egypt and the Islamic countries took part in the symposium.

In view of the importance and vitality of the issues presented, whether in terms of their intellectual presentation or of the details of their application, a large number of people concerned with the issue attended the symposium, led by his eminence the grand imam, a number of their eminences the shaykhs and of ministers, bankers, financiers and economists from Egypt and from abroad. All participated in presenting questions to the researchers to enrich the symposium.

Considering the vital nature of the issues presented to entrench the Islamic concept and to clarify the Islamic Shari'a insofar as the Islamic transactions practiced by the Islamic banks are concerned, AL-MUSAWWAR was careful to record these studies and the discussions of them so as to present to Arab and Muslim readers material to satisfy their wish for a further understanding of the issue, in addition to clarifying a lot of points regarding the position of the banks and of the honorable Shari'a vis-a-vis the modern system of various banking transactions and economic relations.

The symposium was held under the chairmanship of His Highness Prince Muhammad al-Faysal Al Sa'ud, the chairman of the Board of Directors of the Faysal Islamic Bank of Egypt. The first session was opened by Dr Mustafa al-Sa'id, the minister of economy and foreign trade, on behalf of Prime Minister Dr Fu'ad Muhyi-al-Din. Dr Fu'ad al-Sarraf, the governor of the Faysal Islamic Bank of Egypt, moderated the session. The technical aspect of the session was supervised by Counselor Ahmad Hassan in his capacity as the symposium's general secretary.

The opening session was attended by His Eminence Shaykh Jad-al-Haqq 'Ali Jad-al-Haqq, the grand imam and shaykh of al-Azhar; Dr Salah Hamid, the minister of finance; Dr Kamal al-Janzuri, the minister of planning; His Eminence Shaykh Ibrahim al-Dasuqi, the minister of religious trusts; 'Abd-al-Latif Hamzah, the mufti of the republic; a number of former ministers; the presidents and managers of the Islamic and conventional banks; and a number of university professors interested in the symposium's topic, in addition to a number of professors participating in the studies and the symposium.

The first session began with a word of welcome delivered by Dr Fu'ad al-Sarraf who expressed his thanks to the government and the audience for their interest in the topic of the symposium and then reviewed the rise of the Islamic banks which "have been founded on distinctive fundamental mainstays." These banks operate in accordance with the basic rules of the magnanimous Islamic Shari'a. They do not charge or pay interest but conduct their transactions within the framework of the Shari'a. These transactions are subject to the control of the venerable Shari'a ulema to insure that they are pure and that their yield is sound.

The second mainstay on which the Islamic banks have been founded is, according to Dr al-Sarraf, that of exerting efforts to develop economically and socially the societies in which these banks are located, especially insofar as small producers are concerned. These banks attract small depositors and those savers and savings that do not deal with the conventional banks. Therefore, the Islamic banks do not compete with the conventional banks.

The third mainstay is the distribution of the alms tax imposed by the Shari'a to those deserving it and the effort to transform the beneficiaries into productive forces.

In reviewing the experiment of founding the Islamic banks, Dr al-Sarraf went on to add:

"The Islamic banks began as an idea in the mind of the late King Faysal Al Sa'ud who tried to crystallize the idea. The Egyptian Government was a fore-runner in underlining the idea, establishing the Nasir Social Bank on Islamic bases. The Faysal Islamic Bank was then established and the Islamic Investment and Development Bank was established recently.

"The pioneer experiment proceeded from Egypt, and numerous Islamic banks have now been founded in a number of Arab and Islamic countries, including Sudan, Kuwait, Qatar, Dubai, Jordan, Bahrain, West Africa, Pakistan, Malaysia and Bangladesh.

"The success of the experiment, especially the experiment of the Faysal Islamic Bank of Egypt, which is no more than 4 years old, has been a cause and a motive for the conventional banks to engage in similar experiments, setting up numerous branches which deal on the basis of Islamic transactions.

"The lofty idea was received with a feeling of satisfaction by the Egyptian and Islamic peoples. We have thus seen the Faysal Islamic Bank of Egypt deal with more than 618,000 clients within a period of 4 years and gather deposits which have amounted to \$1.22 billion. We have also seen the bank's commercial, economic and production activity in the local market exceed \$607 million whereas this activity did not exceed \$410 million in 1982, \$134 million in 1981 and \$61 million in 1980.

"Even though the activity is no more than 4 years old, the bank has not confined its role to the commercial activity to supply the production requirements and essential goods to the local market but has gone beyond to perform a vital and important role embodied in setting up 26 joint-stock companies in the spheres of medicine, chemical-manufacturing, agricultural and livestock development, foreign trade, packaging and distribution, domestic trade, real estate, banking and the sphere of Islamic financial establishments.

"The total capital of these companies amounted to \$601 million, to which the bank has contributed \$86 million. The bank offers the companies a transfer within the limit of \$68.5 million."

#### Projects Compatible with Egypt's Size

It is perhaps this success which motivated Prince Muhammed al-Faysal Al-Sa'ud, the chairman of the Faysal Islamic Bank of Egypt's Board of Directors, to say in the bank's address, which he delivered to the opening ceremony:

"It pleases all of us that the Islamic banks, with success from the Almighty God, may He be praised, have surpassed the phase of establishments and of self-proving.

"At this time in which the Islamic banks have proven their success and have surpassed the phase of establishment, we wish to congratulate ourselves on beginning the fundamental phase, namely the phase of effective participation in development. Let me announce that the Faysal Islamic Bank of Egypt, along with a group of Islamic banks, has decided to carry out three projects which will, God willing, be a guiding light for the projects to be carried out by the Islamic banks and which will be of dimensions compatible with the size of this country."

At the outset of his address, His Highness Prince Muhammad al-Faysal Al Sa'ud expressed his happiness with the fact that this big Islamic meeting was held in this honorable country, Egypt, which has always been a bastion of Islam and which has its genuine history and genuine humanity.

#### Genuineness of Egyptian People

Dr Mustafa al-Sa'id, the minister of economy, welcomed in the address he delivered on behalf of Prime Minister Dr Fu'ad Muhyi-al-Din all the brothers from Egypt and from the various Arab and Islamic countries taking part in the symposium.

The minister said in his address:

"The soil of Arab Islamic Egypt has witnessed the first experiment in Islamic banks which deal according to a system based on the principle of the magnanimous Islamic Shari'a which rejects the system of usurious interest and which seeks to achieve economic and social development for the sons of the Arab and Islamic peoples. The Faysal Islamic Bank of Egypt was the first experiment in this sphere. This pioneer Egyptian experiment has proven its success and other Islamic banks have been founded and have spread in Egypt, in the various parts of the Arab homeland and in the Islamic countries."

The minister of economy added:

"The success of the Faysal Bank and the Islamic banks in Egypt would not have reached such a level had not the government and the people believed in the honorable principles on which these banks are founded. Moreover, the profound faith of this country, its deep rooted religious feelings and its political and social stability have had their impact on the accomplishments made by the Islamic banks, led by the Faysal Bank of Egypt."

#### Why This Symposium?

Considering that all this success has been achieved and that the experiment of establishing Islamic banks has been entrenched and has taken root, then what is the objective of this plenary symposium which has been organized by the Faysal Islamic Bank of Egypt and to which this bank has invited all the Islamic banks from various countries?

Dr Fu'ad al-Sarraḥ, the governor of the Faysal Islamic Bank of Egypt, said:

"It is natural for these newborn banks, which operate under the canopy of banks that deal in interest, to face numerous problems and hindrances. They have encountered obstacles impeding their upsurge and their achievement of the goals of serving the national causes, not to mention numerous problems of application in internal dealings. This is what has motivated coordination and cooperation among these banks so that they may serve their clients and the societies in which they exist, both economically and socially, under the canopy of the rules that govern them currently. For these banks to reflect the bright image desired of them and to make certain that these banks play a positive role in developing societies, it was necessary to hold a symposium such as this one so that the researchers, the practitioners and the officials may present their invaluable views in this regard."

Answering the same question, Dr Mustafa al-Sa'id, the minister of economy, said in his address:

"The symposium represents an effort to become familiarized with the bases and principles, and even the philosophy, on which the Islamic banking system is founded and with the numerous problems faced by the application of these bases, principles and philosophies. It is an effort at familiarization with the spheres and methods of employing monies in the Islamic banks and with the spheres and means of banking cooperation between the Islamic banks, and it is an effort at familiarization with the way these banks perform their services and with the way to develop these services. The importance of this symposium and of the study and discussion topics with which it deals grows even greater at a time when the need grows for enhancing the capability of those working in the banking apparatus, especially the Islamic banking apparatus, and for enhancing their awareness of the various issues that are raised by the foundation of Islamic banks in a world whose money markets are dominated by banks founded on bases and principles contrasting with the philosophy of the Islamic banks. Moreover, there is no doubt that the success attained by the Islamic banks, especially in Egypt--a success embodied fundamentally in these banks' increased ability to attract a large part of the savings in the form of deposits that are constantly and rapidly growing in volume--throws heavier responsibilities on the shoulders of the workers and managers of these banks because they have to look with a great degree of efficiency for real and successful investment opportunities. This will undoubtedly emerge through the opinions contributed--opinions which will ultimately participate in disseminating the thought of Islamic banking and the methods of its application."

Counselor Ahmad Hassan, the symposium secretary general, said:

"We have taken into consideration the definition of the issues and the determination of the studies concerning each problem facing the activities of the Islamic banks and the problems that may face their application or emerge through application. This is why the studies are varied. Special sessions have been set aside for each group of similiar studies pertaining to a specific issue or problem so that they symposium may emerge with specific recommednations that solve numerous problems and act as an intel-lectual and practical guide for the activity of the Islamic banks. The

symposium has actually answered numerous questions and has proposed real alternatives and solutions to many problems of application. This is made evident by the recommendations issued by the symposium."

In its 6 sessions, the symposium heard 22 studies dealing with the various aspects of 6 main topics which I will present according to the order in which they were discussed:

The first topic was the "Islamic Banking System in Thought and Practice." The researchers devoted to this topic six full studies, including a study on the financial transactions in the Islamic banks by Dr Fu'ad al-Sarraf, the governor of the Faysal Bank, who chaired the session. Dr 'Abd-al-Hamid al-Ba'li, an adviser at the International Union of Islamic Banks; Dr Yusuf Qasim, a member of the Legal Control Committee of the Faysal Islamic Bank of Egypt; 'Abd-al-Sami' al-Misri, a member of the Islamic Economic Society; Dr 'Abidin Ahmad Salamah, assistant general manager of the Faysal Islamic Bank of Sudan; and Yasin al-Imam 'Umar, a member of the Board of Directors of the Faysal Islamic Bank of Sudan, also presented studies to this session.

The topic of the second session was the "Role of the Islamic Banks in Economic Development and Its Practical Applications." This session was chaired by Ahmad Amin Fu'ad, the chairman of the Board of Directors of the International Islamic Bank for Investment and Development. Dr Fu'ad al-Sarraf presented to this session a study entitled "The Islamic Banks' Methods of Economic Development." Other studies were presented by Dr 'Awf al-Kafrawi, a professor at the UAE University; by Dr Isma'il al-Shalabi, a professor at the law school of al-Zaqaziq University, on "Islamic Banks and Development"; and Samir Mustafa Mutawalli, the former first undersecretary of the Ministry of Social Insurance, on the "Branches of the Islamic Transactions, Their Pros and Cons."

The third topic was the "Role of the Islamic Banks in Social Development and Its Practical Applications." This session was chaired by His Eminence Shaykh Ibrahim al-Dasuqi, the minister of religious trusts. Three studies were discussed in this session. The first was presented by Ahmad 'Adil Kamal, the general manager of the Faysal Islamic Bank of Egypt; the second by Dr Mahmud al-Ansari, the assistant secretary general of the International Union of Islamic Banks; and the third by Muhammad 'Abd-al-Karim Zu'ayr, a member of the Legal Control Committee of the Dubai Islamic Bank.

The topic of the fourth session was "Development of the Banking Services of the Islamic Banks." The session was chaired by Muhammad 'Abd-al-Fattah Ibrahim, a former deputy prime minister for financial and economic affairs. This session discussed a number of studies, including a study by Dr Fu'ad al-Sarraf entitled "Transactions in the Money Markets within the Framework of the Rules of the Islamic Shari'a," a joint study by Dr Shawqi Isma'il and Baha' al-Din Sabir entitled "Development of the Banking Services of the Islamic Banks" and a third study by Dr 'Abd-al-Hamid al-Ghazali, the chairman of the Economy Department of Mecca University, entitled "Studying Economic Feasibility in the Islamic Bank."

The fifth session, chaired by Counselor Ahmad Thabit 'Uwaydah, the chairman of the State Council, discussed a number of studies on the topics of "Spheres and Methods of Banking Cooperation among Islamic Banks." A study was presented by Dr Shawqi Isma'il Shihatah under the same title, a second study entitled "An accounting Framework for Islamic Set-term Profit-sharing Contracts" was presented by Dr Mahmud al-Naghi, and a third study entitled "Accounting for Financial Leasing by Islamic Banks" was presented by Dr Kawthar 'Abd-al-Fattah al-Abji.

The sixth and final session of this plenary symposium was held under the chairmanship of Counselor Mahmud Fahmi, the chairman of the Money Market, and dealt with the topic of "Methods of Employing Money in Islamic Banks." Three studies were presented to the session: a study by Dr Shawqi Isma'il Shihatah entitled "Money and Markets within the Framework of Islamic Thought," a joint study entitled "Methods of Employing Monies in Banks" by Dr 'Abdallah al-Jaziri and Muhammad Tuhami and a third study by Dr Husayn Shihatah, the professor at the UAE University, entitled "Criteria and Evaluation of Problem of Liquidity in Islamic Banks."

#### Experiment Becoming More Enriched Month after Month

It is perhaps necessary to begin with the first session which explains or answers many of the questions on people's minds. This session proceeded as follows:

Dr Fu'ad al-Sarraf: "In the name of God, the compassionate and the merciful, and peace and prayers be upon the Venerable Prophet and upon all his kinsmen and companions, this session has been devoted to the Islamic banking system in thought and practice so that those attending this session may discuss Islamic thought itself in banking activities and may subsequently deal with the means and methods of application in the period beginning with the foundation of the Islamic banks that are no more than 5 years old in terms of practical experience. These practical applications have begun and are expanding year after year. I would not probably be exaggerating if I said that the practical application is being enriched month after month, even day after day. There is no doubt that this thought and this application need leadership and a safety valve embodied in the legal control. This is why the thought and this application need leadership and a safety valve embodied in the legal control. This is why the thought and the application abide, even in its details, documents and contracts, by the constant legal control so that there may be no deviation from any of the principles of the Islamic Shari'a."

Dr Ni'mat Ahmad Fu'ad, after requesting permission to deliver a special word: "If every Muslim takes as a good omen the birth of the first Islamic International Bank standing behind the economies of the Islamic world, I believe that this event is the break of the dawn that brings the day behind it."

She then demanded what she has already urged in her books, namely the holding of a comprehensive Islamic scientific conference including all specializations aimed at employing Islamic monies in the developing Islamic countries, with this employment founded on a constant policy formulated by a permanent council

from all parts of the Islamic homeland and headquartered in one of the Islamic countries. Dr Ni'mat Fu'ad also demanded that attention be devoted to man because Islam came originally to build man.

Dr Fu'ad al-Sarraf: "I am not a jurisprudent but I have read in the field of jurisprudence and have studied at the hands of all the eminent uleman after spending a lifetime in finance and economics and going through a number of usurious banks until God led me to the right path.

"I say that Islam encompasses both religious and secular affairs. It reforms the individual and society. As a student and interpreter of finance and economy, I say that money in Islam belongs to God and that all people are entrusted with this money, meaning that the money passes from hand to hand. Man is required to safeguard, develop and invest this money for the good of society. This is Islam which calls for safeguarding money. If a man cannot safeguard his money well, the wise ruler is entitled to take away this money. Thus, money in Islam belongs to God and man is entrusted with it. But there is a condition demanded for this trust, namely that the individual entrusted employ the trust for the good of society itself.

"We know that some of the classical economic theories have the objectives of serving society. But Islam came before all these theories to employ money for the good of both the poor and the rich in society.

"I have said that the first point is 'money' and the second point is 'man.' God has honored man by enabling him to work with His will and guidance. In legal Islamic investment, there has to be money on the one hand and work on the other. He who cannot invest his money may resort to a man with experience, who does not have money, to increase his money. There may be a man with money and a man with experience who can increase his money and enrich Islamic society. Insofar as these two points are concerned, the Islamic banks act as both capital owner and limited partner because the Islamic banking apparatus is a technical apparatus that can move the money to the various spheres of investment and employment to serve Islamic society itself.

#### Benefits of Islamic Transactions

"The third point concerns the method according to which the investment is made between the capital owner and the individual with the experience. The various contracts established in the Islamic Shari'a do not stick to rigid deals because they include aspects that take into consideration man himself and the circumstances that confront investment and employment. If the worker does not fail his duty and does not disobey the instructions of the capital owner or of the people investing the money and if a loss is still incurred, then it is natural that the loss is shouldered by the capital owner himself. But if the limited partner [worker] fails his duty, then he is the one to shoulder the loss. Thus, the rights of each side are fully preserved.

"The fourth point is God's right to the monies themselves, i.e., the right to the alms tax, because Islamic applications in financial transactions take into consideration the right of the poor to care and welfare. This is what we call the 'social dimension' of the applications of the Shari'a. It is a

dimension that distinguishes the Islamic financial transactions so that they may not be the object of the malice or the envy of the needy. The alms tax is one of the most important pillars of Islamic transactions. The alms tax is not charity to the poor but a means to transform the poor into a productive element serving the good of society.

"These are the applications of the Islamic Shari'a. This is not socialism and not capitalism. It is Islam in its true sense."

#### Definition of Concept of Usury

His Eminence Shaykh Muhammad Khatir: "One of the hadiths of God's Prophet, may God's peace and prayers be upon him, says 'revenue comes from responsibility,' meaning that he who guarantees [assumes responsibility] for money gets his profit. This rule dots the i's and crosses the t's. Non-Islamic banks guarantee money and guarantee its owner a set profit tied to the capital and to time. But the Islamic bank tells you whatever profit God gives. Should there be a loss, it is incurred by the capital [owner] because it is a partnership, with one side contributing his money and the other his effort. The loss is a loss of money to the capital owner and a loss of effort to the other partner, unless this partner fails his duty of safeguarding the money or misuses the money. In this case, the party investing the money is required to shoulder the loss because money is a trust in the hands of the limited partner who acts as a trustee when he invests and as a partner when he makes a profit.

"This is Islam's view of money. Ownership of money belongs to God alone, and man is a vicar to money who invests this money. Therefore, money is not the tyrant and the ruler, as it is in capitalism, and is not withheld from individuals, as it is in communism. Islam works with money whose ownership belongs to God and whose benefit--figurative ownership--belongs to man, who has been given this money by God so that he may invest it for the service and development of society."

Fu'ad al-Sarraf: "Thanks for the correct concepts mentioned by His Eminence Shaykh Khatir from whom we learned a lot."

Dr 'Abd-al-Hamid al-Ba'li: "It is said that the Islamic banks have emerged as a sound and healthy phenomenon on the rugged path of developing the Islamic societies. In the scientific sense, a phenomenon reflects intrinsic strength and automatic instinctive development. But insofar as the Islamic bank is concerned, a phenomenon means natural suitability, with no alternative and no failure. As for the concept of the Islamic bank--even though there are numerous definitions regarding this entity which is new to the international arena--it is required that the ulema and the specialists exert efforts to provide the proper interpretation covering all aspects of the concept and excluding anything alien from this concept. To me, the concept of the Islamic bank means a financial banking establishment to gather "surplus monies" in the hands of individuals and invest them in accordance with the objectives of the Islamic Shari'a so that such a bank may act as the ideal vessel within which thought and application interact without exaggeration and without squandering. Here emerges the importance of the inevitable role of the Higher

Religious Interpretation and the Legal Control Committee as a voice of wisdom and caution and the role of the International Institute for Islamic Banks and Economy as a practical scientific authority concerned with the economic sciences and financial establishments with an Islamic identity. I want to draw attention to the need for utter conformity between thought and application."

#### Colonialism Introduced Usury

Dr Yusuf Qasim: "Catastrophes befell us when the West introduced into our countries loans and usurious interest, along with military occupation, colonization and positive laws. But with the onset of the 5th century of the Hegira, a ray of hope emerged with the foundation of the Islamic banks, which prohibit usury. It is a ray of hope with which the Islamic nation launches a new era, elevating the word of God and the Sunna of His Prophet. Prohibiting usury and banning usurious transactions have a great impact on economic development by virtue of the major role this ban plays in eliminating the phenomenon of inflation from which the entire world suffers. If we look at the Islamic banks at present, we find that there is a strong interest on the part of the faithful masses in their permissible investment, as we have seen in the case of the Faysal Islamic Bank of Egypt. This unprecedented interest in encouraging the Islamic Bank of Egypt and in depositing savings in it requires the bank officials and supervisors to be even more careful with the monies of Muslims and to invest them in what pleases God. There are numerous avenues of legitimate investment within the framework of prohibiting usury, monopoly and the hiking of prices so that Islamic society may achieve abundance and prosperity."

#### Islamic Economic Thought Began in Egypt

'Abd-al-Sami' al-Misri: "I would like first to correct a piece of historical information regarding the rise of Islamic economic thought which appeared clearly in the 1930's and was applied with the foundation of the Muslim Brotherhood firms in the 1940's. Moreover, Muhammad 'Ali Janah, the founder of the state of Pakistan, asked Cairo to supply him with specialists to set up a central bank in Pakistan on Islamic bases. The conditions developed in rapid succession and then the idea of "people's banks" came into existence and those banks were founded by Dr Ahmad al-Najjar. The Nasir Social Bank was then founded and was finally followed by the Faysal Islamic Bank of Egypt. The rest of the story is well known.

"Regarding our topic, it is well known that the operations of the commercial banks are founded on the interest rate. They pay the depositor a certain interest rate and charge the borrower a higher rate. The difference between the two rates represents the most important part of the revenues of these banks. This situation is tantamount to diverting money from its fundamental task because these operations mean that money has turned into a commodity with a price and that trading in this commodity leads to the accumulation of riches, with all the subsequent economic damage emanating from such accumulation. This is why Islam has dictated that money be put in the service of society or, in other words, that the national wealth be put in the service of the nation's members.

"Western economists believe that banks create money. This is a reality in the commercial banks, with the credit facilities they advance. But these banks contribute to inflation also. While the government tries to absorb the excess money by raising the interest rate as a patterned cure, we find these banks returning the money to the market with the credit they advance. It is as if they are thus fighting the policy of the government which tries to curb inflation.

"Islam provides a cure to the inflation problem by abolishing the interest on money and by applying the alms tax law."

Dr Fu'ad al-Sarraf: "The final study in this session will be presented by Dr 'Abidin Ahmad Salamah, the director of research at the Faysal Islamic Bank of Sudan, and is entitled "Islamic Banks and Islamization of the System in Sudan."

Dr 'Abidin Ahmad Salamah: "The benefit of the Islamic banking system is not confined to the Islamic world but extends to the entire world because Islam has not been revealed for the Muslims alone but to all mankind. The Islamic banks are moving nowadays in two directions. There is a direction that believes that Islamic banks should be opened one after another so that people may be convinced and so that the entire system may turn into an Islamic system and another direction that believes that the entire banking system should be Islamized. The Islamic banking system has economic benefits, including enhanced economic efficiency. Moreover, the abolition of usurious interest and the emergence of the Islamic alternative as a partnership system generates the benefit of distribution because the profits made by the establishments will be diverted to the savers. The partnership system also creates among Muslims a concern for the Islamic establishment and develops in Muslims the spirit of participation in its control. On the other hand, the Islamic system, which is not founded on usurious interest, encourages investment because usurious interest helps in the hoarding of money and does not stir in the capital owner the element of risk-taking and investment. There remains an important point concerning the nature of the relationship between the Islamic banks and the banks founded on credit and usurious interest. This point requires serious study so that many problems may be avoided."

Dr Fu'ad al-Sarraf: "The government is currently drafting a new credit bill. The minister of economy has agreed to devote in this new law a special chapter for Islamic banks to regulate the necessary relationship between the Islamic banks and the Central Bank--a law that is not in conflict with the state's wish to extend the control of the Central Bank over all the banks, including the Islamic banks. Thus, we are advancing on the path."

#### Number of Questions

A number of questions were raised by the audience on the role of the Islamic banks, especially of the Faysal Islamic Bank, on the capability of the bank workers, on the role of the bank vis-a-vis the Muslim family and Muslim child, on a proposal to set up a fund for charity loans and on the revival of the Islamic heritage. Answering these questions, Dr Fu'ad al-Sarraf said:

"The Faysal Bank has already formed a socio-cultural committee which works to revive the heritage and extend its activity to the education of the Muslim child and the intellectual and social welfare of the Muslim family through already existing schools and schools that will be established, God willing. This committee is also concerned with training and will extend its activities even to Islamic groups living outside Islamic society. We have actually advanced grants to numerous Muslims living in non-Islamic societies.

"Insofar as the workers of the Islamic Bank are concerned, they are a select group who believe in the religion and who are trained in banking work within the framework of the rules of the venerable Shari'a. We are exerting efforts to train more such workers at the Islamic Banks Institute.

"As for the charity loan, it already exists and is applied to the shareholders, the workers and the depositors in accordance with certain controls and regulations.

"After this definition of the rules of thought and application that must govern the work of the Islamic banks which have emerged to occupy a vast space in the banking work regulated within the framework of the venerable Islamic Shari'a and after this discussion of all aspects of the issue, it is necessary to embark on the issues of the Islamic banking operations and of engagement in financial and economic activity with an Islamic philosophy."

How do the Islamic banks deal in the money markets? How do they perform their banking services? How does the Islamic bank conduct its economic feasibility studies? What are the methods of employing monies in the Islamic banks? What is the assessment concerning the liquidity problem in the Islamic Bank? How do the Islamic banks cooperate with each other and conduct their transactions with one another? Generally, what is the role of the Islamic bank in economic development within the framework of the venerable Shari'a? We will publish in the next edition several studies and discussions of these issues.

[30 Dec 83 pp 69-73]

[Text] Once again, what is the Islamic banks' role in economic and social development?

In the previous edition of AL-MUSANWAR, we stopped with a review of one side of the dialogue and discussion which took place in the first sessions of the symposium discussing this issue. All the discussions published were on the "Thought and Application of the Islamic Banking System."

Today, we will present the second part of the symposium, which concerns the role of the Islamic banks in economic development and its practical applications, their role in social development and its practical applications and the development of the banking services of the Islamic banks.

The Faysal Islamic Bank of Egypt called for a plenary symposium on the role of the Islamic banks in economic and social development. The symposium convened for 3 days under the chairmanship of His Highness Prince Muhammad al-Faysal Al Sa'ud, the chairman of the bank's board of directors, and was opened by Dr Mustafa al-Sa'id, the minister of economy, on behalf of Prime Minister Dr Fu'ad Muhyi-al-Din. The symposium was moderated by Dr Muhammad Fu'ad al-Sarraf, the bank governor, and was attended by a large number of clergymen, current and former ministers, businessmen, economists and university professors. The symposium discussed 22 studies in 6 sessions which were chaired by a number of prominent businessmen and jurists. Counselor Ahmad Hassan was the symposium's general secretary.

The issue is that these banks apply the Islamic Shari'a and that their banking transactions differ from the transactions and methods of the conventional banks. These banks, which are no more than 4 years old, have been born gigantic and have spread to occupy such a prominent place in all the Arab and Islamic countries that the conventional banks have been forced to open tens of branches for Islamic-style transactions. The impact of this phenomenon has even extended beyond the Arab and Islamic borders, and we have seen some European banks give consideration to setting up branches that deal in accordance with the Islamic Shari'a so that they may not lose the Islamic banking market.

Let us move now to the second part of the symposium.

Ahmad Amin Fu'ad: "The topic of this session is one of the most serious topics being discussed by this symposium because it deals with the answer to an important question: How do we develop our Islamic nation's economy?

"When speaking of development, it is natural for the role of the Islamic banks to emerge. These banks' pioneer role in application saddles them with a big responsibility because the role of the Islamic banks emanates from their being Islamic banks that comprehend the concept of Islam, Islam's view of money and the role of this money, both saved and invested, in development within the controls of the Shari'a which govern the role of this money in developing the Islamic societies. In this respect, the Islamic banks are proceeding to perform their role with utter seriousness."

Ahmad Amin Fu'ad then invited the researchers to present comprehensive summaries of their studies, adding that the door will be then open for discussion and dialogue so that the symposium may be enriched with the opinions and expertise of those engaged in the discussion, not with the purpose of faulting or bringing people to account but for the purpose of "correcting ourselves and our course."

On behalf of Dr 'Awf al-Kafrawi, Dr Husayn Shihatah presented a review and summary of his study on the 'Role of Islamic Banks in Economic Development.' In his study, Dr al-Kafrawi explains the concept of the Islamic banks and defines what an Islamic bank is. He also demonstrates how the Islamic banks are currently the evident application of the Islamic economic system and that they have provided the Islamic alternative to all the conventional banking

transactions so as to spare the Muslims anguish, to facilitate the exchange of data and to enhance capital's ability to increase production and accelerate development by developing savings awareness, by encouraging investment and discouraging hoarding, by creating numerous opportunities and formulas of economically and socially profitable investment, by supplying the financing needed and by establishing coordination and integration among the Islamic banks.

In the first part, the researcher [Dr al-Kafrawi] discusses the position of the Islamic banks vis-a-vis the money supply and attempts to attract deposits and the impact of this position on economic development. He demonstrates that creating credit money and increasing the deposits in usurious banks may lead at times to inflationary consequences harmful to the national economy. He also demonstrates in this part that the Islamic banks do not increase credit and deposits because they do not sell money and do not deal in usury. In this case, the state is the party that issues money, and herein lies the inflationary effect.

As for the Islamic banks' role in encouraging savings and investment, the researcher demonstrates in the second part of his study that these banks encourage small savers to deposit their savings in them. They also encourage big savers to channel their monies toward investment in development. Here emerges the role of the Islamic bank in absorbing surplus money from the hands of small savers who become more inclined toward consumption. This absorption of savings leads to a reduction of the inflation rates and to the alleviation of the development burden. Here, as in the third part, the Islamic banks contribute to the development plan so as to make it possible to dispense with borrowing from the international establishment in return for interest, thus alleviating the burden of foreign indebtedness.

The researcher devotes the fourth part to discussing the Islamic bank's currency policy and its impact on economic development. In the fifth and final part, Dr al-Kafrawi discusses the role of the alms money collected by the Islamic bank in social development, in combat poverty and in reducing the differences between the classes, thus helping social stability. He also discusses the role of the alms tax in encouraging the investment of money.

His Eminence Shaykh Muhammad Khatir: "The researcher has used the phrases 'creating money' in his study repeatedly. This phrase is improper because God is the creator. This phrase can be replaced by 'finding money.' The researcher also talked of developing the saving deposits and the investment deposits. I don't know what difference there is between the two. Moreover, the researcher has also spoken of social development. Development means intensifying the social situation. Should we intensify poverty? The word 'development' is correct in economics only."

Ahmad Amin Fu'ad: "Thank you, Your Eminence. We also have observations regarding your observations. But we will present them at the end of the studies to abide by the course which the discussions are following."

Dr Isma'il Shalabi: "The study I am presenting is no more than a brief reference to the strategy of the Islamic action for development through the collective action of the Islamic banks. We see the crises of the advanced world having their negative impact on the developing countries, including the Islamic countries seeking development. The Islamic countries, excluding the oil countries, are poor. In 1980, the debts of the developing Islamic countries amounted to \$70.5 billion, for which high interest rates are paid. The rich Islamic countries deposit their monies in foreign banks which then lend these monies to the developing countries at high interest rates. The poor Islamic countries have endeavored to attract foreign capital for investment in development through participation, and the Egyptian open-door economic policy came into existence. But regrettably, we find that the incoming capital is not compatible with what we had expected. Moreover, we find that the joint foreign banks benefit more than the national economy.

"It has been God's will to lead us to the Islamic path. The beginning came with the Islamic banks that steer clear of interest and that seek real investment through partnership. As long as we have been guided to the divine path in these banks, then the issue requires, in my opinion, a necessary pause so that we may ask: How do these Islamic banks operate without any common coordination or planning, i.e., how do they operate without a strategic plan at the level of the Islamic world?

"I believe that we are facing two problems: The first is the lack of technical cadres to carry out this work with a method and a philosophy that are new to society. The International Union of Islamic Banks in Cyprus has been able to develop some blossoms in this regard. The second problem is the lack of coordination among the Islamic banks to launch collective Islamic action that helps employ the big deposits and invest capital for development in the Islamic world within the framework of the Islamic Shari'a. This particular problem requires the setting up of a central Islamic bank to take charge of this strategy."

Samir Mutawalli: "This study is of particular significance because it deals with a serious issue concerning the branches of the non Islamic banks for Islamic transactions. Mustafa 'Ali Ahmad, the deputy director of research at the Faysal Islamic Bank of Egypt, has presented a comprehensive summary on this study. The researcher says that he does not intend to judge the extent of the soundness of these branches insofar as their practical adherence to the controls and practices which must govern the work of any Islamic bank is concerned. He says that he seeks to review the development in and the size of these units [branches], their rise, their impact, their efficiency, the reservations against them and the problems facing their future.

"The phenomenon of these branches for Islamic transactions has become widespread. The Bank of Egypt has set up six such branches, and so have other commercial banks, including the Nile Bank, the Commerce and Development Bank, the National Development Bank, the Gulf Bank of Egypt, the regional banks and their branches and a number of other commercial banks. It is my belief that the success attained by the Faysal Islamic Bank of Egypt, whose deposits have multiplied year after year, has been one of the strong reasons behind the spread of bank branches for Islamic transactions which have amounted to 35 branches covering 12 of the country's governorates.

## Position of Transactions Branch

"The mother banks have been careful to set aside independent capital for these branches so that they may have separate financial liability. But the capital set aside for any branch stems from the mother bank. Regardless of whether set aside as a trust, as a charity loan or as capital, the money set aside for the branch comes from the funds of the mother bank which deals in interest. This is why a reservation is voiced regarding the starting point of these branches which lack a legal status. Such branches should offer their shares for general or closed subscription in order that they may start without any suspicion of illegitimacy.

"However, these Islamic branches have become a reality and some Arab countries have begun to turn to this Egyptian experiment. Therefore, the International Union of Islamic Banks is required to open the door for a serious joint study and for cooperation, coordination and integration with these branches."

Dr Fu'ad al-Sarraf: "The study under discussion is the 'Islamic Banks' Methods in Economic Development.' Dr Shawqi Isma'il Shihatah has presented a comprehensive summary of the study which deals with six issues pertaining to the topic:

"The importance of the major role of the financial banks and establishments in the sphere of economic development throughout the ages.

"The aspects of similarity and difference between the Islamic economy and the positive economy.

"The Islamic concept of the elements of production in the Islamic economy.

"The Islamic banks' methods of employing monies in search of economic development and production profits.

"Islamic thought's view of commerce on the path of economic development.

"Joint cooperation among the Islamic banks in economic development and in the building of major projects.

"It is indubitable that banks and financial establishments play a major and important role in economic development. But this role differs in the Islamic banks from the role of the conventional banks that follow the system of interest rates which govern the movement of their transactions, whereas the Islamic banks depend in all their resources on the deposits placed with them and work to develop these deposits in light of the rules of Islam and without the use of interest.

"It is true that there are points of similarity between the Islamic economy and the positive economy. But it is a similarity in general appearances only. However, they differ on many issues. For example, private ownership in Islam is stable, contrary to the positive economy where the views vary from school to school. Another example is that the positive economy is frequently exposed to the problem of 'scarcity' whereas Islam believes that the problem is not in scarcity but in the poor distribution of resources, whether internationally or locally.

"As for the elements of production in the positive economy, they consist of the environment, capital, work and organization. Meanwhile, Islam focuses on and underlines these elements in two points: capital and labor. Labor here is used in the broad sense which includes organization and management. Consequently, the capital fuses with the labor or the productive service so that a yield [profit] may be generated. Profit generated by capital without labor is an illicit usurious profit.

"The talk regarding the Islamic banks' methods of employing capital stems from the concept that Islam is concerned with economic development as much as it is concerned with religious duties and worship and that economic development is tied to social development. Ibn Khaldun, an Islamic thinker, was among the first to deal with this concept.

#### Methods of Employing Monies

"The employment [investment] of monies takes various forms, either with the knowledge of the Islamic bank itself or through profit-sharing, partnerships and limited partnerships or other forms permitted by the Shari'a. As a result, investment is recommended and focused in the sphere of the production of goods and services that meet man's basic needs within the framework of the permissible. It thus becomes necessary to give priority to the principle of society's needs and of the public interest before considering the profit.

"As for the point concerning Islamic thought's view of commerce, the modern systems define commerce as the exchange of benefits and services whereas Islam defines it as a social service for Muslims.

"We now come to the final point concerning cooperation among the Islamic banks with the aim of economic development. The researcher proposes the development of a financing strategy among the Islamic banks that plans to finance major projects and that formulates methods permissible by the Shari'a to achieve this end."

Ahmad Amin Fu'ad: "The studies presented have dealt with numerous points. Before embarking on these points, I would like to greet His Eminence Shaykh Muhammad Khatir for his observations that lead us to what is right. Islam has come as a complete system of life, dealing with all of life's material and spiritual aspects.

"Dr Sulayman Isma'il Shalabi has raised three important points, such as the lack of coordination and plans among the Islamic banks. He has also pointed out the need for collective action and has come up with the idea of the Islamic central bank. But while discussing all this, we must realize that the Islamic banks are only a few years old. It is one of God's blessings to us that these Islamic banks have been born and have gained strength despite the challenges facing them. As for the idea of the Islamic central bank, it is not absent from our minds and it has been crystallized in the idea of the international Islamic bank, which is to perform the task of the central bank of all Islamic banks because a central bank requires that there be a single Islamic nation, that this bank not act in conflict with the sovereignty of each of the existing states and that it perform all the tasks of uniting and coordinating efforts among the Islamic banks.

"As for Dr Fu'ad al-Sarraf's statements concerning the characteristics of the Islamic economy, Dr al-Sarraf has explained a lot to us and has penetrated deeply into many dimensions of the Shari'a and the faith. Moreover, Dr Samir Mutawalli has put his finger on several points concerning the financial liability of the branches for Islamic transactions--points which must be given a lot of attention."

Dr 'Abd-al-Hamid al-Ba'li: "I have a lot to say about money in Islam because money in Islam has many meanings insofar as poverty and people's daily problems are concerned."

"Regarding what Dr Fu'ad al-Sarraf has raised in connection with the elements of production, their concept in the West and their concept in Islam, they are tied to the kind and nature of ownership is three-sided and is defined by the Islamic Shari'a."

#### Turning to Countryside

Shaykh Sayyid Ahmad: "You are speaking of Islamic economic development. But how [can this development be achieved] without a work strategy that defines the role of the Islamic banks in this development? How are the resources of the Islamic banks defined and how do we then develop the methods of the Islamic banks to serve development? We want a cooperative development, such as partnership and shareholding, and we want the Islamic banks to turn to developing the countryside."

Isma'il Siyam: "Islamic thought is old and new. If there are [good] ideas in the positive economy, we must not reject them but should let Islamic thought enrich them because we cannot abolish the thought on which pure science is founded."

"As for the branches for Islamic transactions, they were suggested in the symposium of the International Union of Islamic Banks, and we wish to put our hands in yours and subject them to legal [religious] control so that we may be able to complete our march."

Maj Gen 'Adil Ghunaym: "Some of the studies we are discussing are academic and some are applied. We want the academic to meet with the applied to serve the Islamic bank and to develop the Islamic economy."

Dr Husayn Shihatah: "The Islamic banks are operating in environments which have their ideological crises or philosophical crises. This is why the Islamic banks must devote attention to disseminating Islamic culture so that the intellectual environment may be purged of intellectual colonialism. Thus, the base of those dealing with the Islamic banks can be expanded and, subsequently, these banks can increase their services in the sphere of economic development and in achieving social justice."

Dr Yusuf 'Abd-al-Rahman: "Insofar as the concept of the central Islamic bank is concerned, bank issues currency basically as a manifestation of the state's sovereignty. Consequently, we cannot speak of establishing a central

Islamic bank unless a single Islamic nation comes into existence. The second point concerns the branches for Islamic transactions. I reject the idea of these branches because a branch is fundamentally controlled by the mother bank and the mother bank deals with interest rates, i.e., its monies are soiled with the illicit."

Ahmad Amin Fu'ad: "Insofar as the central Islamic Bank is concerned, such a bank cannot be established. But in accordance with the Shari'a rule 'what cannot be taken altogether should not be abandoned altogether.' What is sought currently is an Islamic bank that performs some of the tasks of a central bank, including coordination of the work of the Islamic banks and supporting them in times of need in accordance with the rules of the Islamic Shari'a. This is in addition to the other investment activities that can be performed by such a bank."

Dr Mahmud Lashin: "There is something that saddens me as a Muslim insofar as the workers and researchers of the Islamic banks are concerned. These banks have been infiltrated by some people who do not believe in the concept and who fight the system in a way similar to the way the Jews resorted to when they failed to fight Islam, namely by embracing Islam and creating factions and sects in it. We must devote attention to the cadres working in these banks."

Musa Ya'qub: "What have the Islamic banks achieved through their action in the societies where they exist and what is the situation insofar as economic and social development within the Islamic framework in these banks is concerned?"

"In fact, the Islamic banks have revived realities that were absent in modern economic activity, at least insofar as intrinsic development, which is embodied in gathering savings and spending them on a certain society, is concerned. This is a new path followed by the Islamic banks. I demand that the needed data be supplied to the researchers and the people so that they may know how to achieve and what is the goal of an Islamic bank."

These are studies presented and discussions held on the role of the Islamic bank in economic development. What is the Islamic bank's role in social development? Let us continue with the discussion that took place on this topic. This session was opened by Dr Fu'ad al-Sarraf and was chaired and moderated by His Eminence Shaykh Ibrahim al-Dasuqi, the minister of state for religious trusts.

Dr Fu'ad al-Sarraf: "His Eminence Shaykh Ibrahim al-Dasuqi, the minister of state for religious trusts, is honoring us by chairing this session. The Faysal Islamic Bank of Egypt would like to note for his eminence the sincere help he has extended, considering that he has participated throughout recent years and before assuming the ministerial post, as an important and effective member of the bank's Alms Tax Fund."

Shaykh Ibrahim al-Dasuqi: "This is a meeting with which God pleases the heart of every Muslim. This symposium is meeting to discuss one of the most serious issues concerning Muslims everywhere, namely the issue of money, which is the backbone of life, and Islam's position vis-a-vis money. Does money in Islam have a role in man's social life and has Islam regulated this role?"

"There has been an allegation that Islam is one thing and life another. They have also tried to turn Islam into legislation regulating man's relationship with God only. As for life, man shapes it the way he needs. Those who hold this opinion do Islam an injustice when they isolate it from life, keeping in mind that Islam has come to organize man's relationship with this life in a manner compatible with man's instinct and nature and with all that exists in this human environment, be it money or anything else. Islam founded states and has made the world happy with its legislation. Today, we are witnessing this blessed awakening which is announcing to the world that Islam is a religion that has not retreated from life but a religion that has come to make both life and this world happy with all the means permitted by God. Money is one of these means. Islam has organized the way man can acquire money and has instructed man to invest this money in ways approved by God's religion for the happiness of mankind.

"Here we are witnessing the rise of the Islamic banks and financial establishments to declare to the world that money has a social function. These Islamic banks and establishments are the practical embodiment of Islam's laws and teachings. Islam has never mentioned faith unless coupled with good deeds. Good deeds are what link man to man in this life with all it contains. Brother Ahmad 'Adil Kamal will now speak to us on this subject."

Ahmad 'Adil Kamal: "I would like first to present a short historical review of the development of banks in Egypt. Foreigners controlled the situation and exploited the banks to serve their interests and the interests of their countries until the Bank of Egypt was founded as a purely Egyptian bank. But despite this bank's commendable effort in the economic spheres, it has not devoted attention to the social aspect. The first Egyptian bank to be concerned with the social aspect, namely the Nasir Social Bank, was founded in Egypt in 1971. One of its objectives has been that of expanding the base of 'social insurance' [al-takaful al-ijtima'i]. This bank's resources are specified by a presidential decree.

#### Start of Experiment

"The Faysal Islamic Bank of Egypt was then founded as the first commercial bank concerned with the social aspect. Then the International Islamic Bank for Investment and Development came into existence and was followed by the conventional banks' branches for Islamic transactions, now totaling 35 branches. We are now seeing the Islamic banks rising and spreading in Egypt and the rest of the Islamic world, even beyond the Islamic world.

"We now come to the social objectives of the Islamic banks. I have already pointed out that the Nasir Social Bank was the first Egyptian bank to devote its attention to this aspect and to advance interest-free loans to producers and in-kind loans to small projects as well as social loans. This bank has set up an independent administration for the alms tax.

"Then came the Faysal Islamic Bank of Egypt and the first financial and banking establishment not dealing with interest and the first commercial bank concerned with the social aspect. This bank sets aside the alms tax and his

eminence the grand imam and the shaykh of al-Azhar and his eminence the minister of religious trusts make sure that the bank abides by collecting the tax alms and spending it in legitimate channels, as stipulated by article 3 of the law setting up the bank. This is insofar as the alms tax payable for the bank's capital and profits is concerned. But there are alms taxes which the bank clients ask the bank to pay on their behalf, and these cannot be paid without the clients' permission. There are also donations that come to the bank so that the bank may put them at the disposal of its alms fund. Moreover, there are those who devote the revenues of their deposits to specific acts of charity legitimized by Islam such as spending on Muslims in some African countries or spending on orphans or on contests in Koran memorization. These are called 'charity accounts.'

"Insofar as social welfare is concerned, the bank advances 'charity loans' in specific cases, such as when a house is demolished or an occupant is evicted or in case of sickness or of students in higher studies or in cases of catastrophe.

"The bank offers another kind of social service in the sphere of Islamic education and culture. The bank has advanced a big charity loan to help set up special high-level Islamic schools that, in addition to teaching languages, are concerned with Islamic education. Because of the importance of Islamic education, the Faysal Bank has formed an Islamic Education and Culture Committee to act as the think tank that formulates for the bank an educational strategy centered on Islamic culture, on providing the Muslim with care from an early age, on financing academic grants to excelling students and on financing the Islamic book. The bank has given this committee a charity loan so that it may launch its activity.

"Thus, the Faysal Islamic Bank of Egypt has been founded as a financial establishment performing all banking operations, but in accordance with the Islamic Shari'a. At the same time, the bank places itself in the service of society through social development, which is the bank's second job.

"I conclude my summary by demanding that no bank or bank branch be allowed to gain the status of an Islamic bank unless it abides by the method of the Shari'a in gathering and employing money, unless it pays the alms tax for its capital and profits and spends this tax in legitimate channels and unless every such bank has a religious legal interpretation and control committee."

#### Dealing with Our Problems

Dr Mahmud al-Ansari: "In fact and out of experience, the rise of the Islamic banks is itself a call for dealing with the entire world's economic and social problems. It is a real start for dealing with the problems of inflation and for liberation from the Western systems. An Islamic bank is a financial, social and spiritual establishment. It is a financial establishment for gathering and employing monies within the framework of the Islamic Shari'a with the aim of making a profit that serves to build the society of solidarity and achieves fair distribution. Thus, the spiritual values are strengthened

through adherence to the Islamic code of ethics and morals because the Islamic bank is not just a financial middleman offering banking services. The Islamic bank abides primarily by the rules of Islam in thought and practice. This abidance leads to development.

"This is why a bank abiding by the Islamic Shari'a must strike a balance between the individual's interest and society's interest, stamping its economic activity with a spiritual quality and channeling its economic resources toward the production of goods and services that meet man's needs. This is also why it is required, in order that the bank's operations may be tied to this concept, that the people managing the affairs of these banks be selected carefully.

"In conclusion, I say that social development seeks to broaden the base of those who own. This can be done only through the Islamic bank which is concerned with man, with direct investment and with financing through partnership. However, a constant evaluation of the performance and the results is required. It is also required that the branches of Islamic banks spread at the level of the quarters and even down to the level of the villages."

Muhammad 'Abd-al-Hakim Zu'ayr: "My discussion will be on the methods of the Islamic banks in the social spheres and on their role in achieving social justice. I have heard disagreement over whether the issue is one of social welfare or social development. To avoid argument, I have called it social justice.

"To start with, the foundation of the Islamic bank which applies the Islamic Shari'a is a call for Islam. Consequently, the call for Islam is one of the tasks of the Islamic bank. The call for Islam will have thus moved from the world of libraries and studies [academia] to the world of transactions.

"Let me cite to you the experience of the Dubai Islamic Bank which stops work during prayer times and where religious lessons are given after each prayer session. The bank has set up a center to train its workers and has appointed female Muslim employees to deal with the bank's women clients. It is not necessary that we squeeze the Muslim woman amidst the columns of men and put her before the employees. The Dubai Bank has also organized symposiums and conferences at the universities and has issued AL-IQTISAD AL-ISLAMI magazine."

Yasin al-Imam 'Umar: "I have heard that meats are imported from countries that do not slaughter their livestock according to the Shari'a. Why don't the Islamic banks set up livestock breeding projects and slaughterhouses so that we may protect ourselves from the cheating of others?

"I have also heard different concepts concerning social welfare and social justice. Is this the banks' job? If it is, then what is the state's job? Basically, we finance projects that give their priorities to social projects. If this is what is meant, then, yes, this is the Islamic bank's role."

The Sudanese brothers then engaged with brother Yasin in discussion and raised numerous questions, thus using all the time allocated for comments and the session ended with a word of thanks from Dr Fu'ad al-Sarraf.

The two wings of society's development are economic development and social development. This has been a fruitful session and we have heard profound studies and intelligent discussions. What remains is to find out how the Islamic bank performs the banking service and how it develops it. A long session was devoted to this purpose and was chaired by Muhammad 'Abd-al-Fattah Ibrahim, a former deputy prime minister for financial and economic affairs.

Dr Muhammad Fu'ad al-Sarraf: "This session will be chaired by Muhammad 'Abd-al-Fattah Ibrahim, the former deputy prime minister for financial and economic affairs, a former governor of the Central Bank and ex-minister of finance. He was also minister of social insurance and affairs, meaning that he has an understanding of both economic development and social development, even though our discussion here will be on the services of the Islamic banks and on how to develop them."

Muhammad 'Abd-al-Fattah Ibrahim: "I have now before me three studies. The first is submitted by Dr Muhammad Fu'ad al-Sarraf and pertains to 'transactions in the financial markets within the framework of the Islamic Shari'a.' Dr al-Sarraf has long experience in finance and economies inside and outside Egypt.

"The second study is submitted by Dr Shawqi Isma'il Shihatah, jointly with Baha' al-Din Ahmad Sabir, on 'Banking Services in the Islamic Banks and How to Develop Them.' The third study is on 'Studying Economic Feasibility in the Islamic Banks' and is submitted by Dr 'Abd-al-Hamid al-Ghazali and will be presented by Mustafa 'Ali Ahmad."

Dr Muhammad Fu'ad al-Sarraf: "Today's topic concerns transactions within the framework of the Islamic Shari'a. This issue does really need extensive clarification insofar as applying the Islamic Shari'a to the transactions in the Islamic markets is concerned. This study was presented previously to an international conference in Cairo on the money market to demonstrate to the symposium that the Islamic Shari'a does not have a system for transactions in securities or in the money markets. The study is no more than a set of proposals for setting up an 'Islamic financial market' that can contribute, through the banks and through money, to the economic and social development of the Islamic society.

#### Investment Controls

"The study consists of a number of points, beginning with the concept of the task of money in Islam. Money belongs to God and people are entrusted with it, investing it in whatever has permitted and channeling it fundamentally toward the development of the Islamic society in which we live. The investment of money for production has its controls in Islam so that the production may be that of goods that meet man's essential needs. On the other hand, Islam, as a creed, does not condone the withholding of money from circulation. The same rules prohibit leaving cultivable lands fallow and development lands without construction for the benefit of the members of Islamic society.

"Considering that the rules of Islam define the controls for investment development in society's need, then what are the Shari'a controls for investment? There are the Shari'a controls on which the transactions, whether in the money market or in the sale and purchase contracts, depend.

"As I have already noted, there are controls that govern legal Islamic transactions. If we speak of the 'Islamic alternatives to transactions in the money markets,' then these alternatives must also be conducted within the framework of the Islamic Shari'a. Let me cite examples of the Islamic alternatives:

"The share, as a paper representing a capital owner awaiting the outcome of the company's efforts in terms of profit or loss, is legal unless the company engages in activity violating the Islamic Shari'a, whether by turning out an undesirable product or borrowing on interest. As for the bond with which the companies borrow from the money market on a set interest rate, it is not acceptable by the Shari'a. So what is the Islamic alternative?

"It is my personal opinion, which is just the opinion of an interested researcher and not the opinion of the Faysal Bank, that there should be a 'paper' in accordance with which the capital owner goes into partnership with the laborer for a set period of time and which can be circulated in the same society or internationally, with this paper issued by a trustworthy managing party and under the canopy of the Islamic Shari'a. This establishment [managing party] is entrusted with investing the monies gathered by way of this 'paper' in its capacity as a limited partner, embarking on housing, agricultural, industrial or service projects. Let this establishment be the Faysal Bank or any other Islamic bank. It is a paper that is based on the Islamic Shari'a, that can be circulated and that earns a yield depending on the outcome of the activity within a certain period of time.

"Another alternative is for a bank or an investment firm to select a certain project, study its economic feasibility, make sure of its profitability and its sound implementation and the time for this implementation and then offer a 'paper' for financing this project after familiarizing people with it.

"Whether in the first or second alternative, the 'paper' can be consumed [presumably meaning redeemed] when the housing project is completed. The paper owner gets a return equalling the market value of the project. Thus, the paper holder, i.e., the capital owner, will have reaped a profit from the total sales.

"A question may be raised regarding the paper's position vis-a-vis the project share itself. What is the legal status of this paper? If the bond has priority over the share in the usurious system, then will this paper have priority over the share in the company's capital and in the profits? I present this paper and all these questions for discussion because discussion of these issues enriches our experiment."

## Bill Discount Operations

Dr Shawqi Isma'il Shihatah: "The banking services offered by the Islamic banks include all the services offered by the conventional banks while abolishing or developing those services that are incompatible with the rules of the Islamic Shari'a, particularly the operation of discounting commercial securities or dealing with interest-bearing bonds.

"The second point concerns the development of the banking awareness among individuals to such an extent that we have seen the peasant dealing with banks in the villages.

"The third point concerns the development of information, public relations and an information service and their impact on the cultural dimension and on codes of behavior. The Islamic banks' role in this sphere is boundless.

"The fourth point concerns the discounting of bills. Whatever the justifications and interpretations offered to make this activity legitimate, it is a completely usurious activity and the Islamic bank refuses to deal with it or practice it. But, can the Islamic bank dispense with bills in its commercial activity? This is impossible. So what is the alternative to the bill-discounting activity which is prohibited by the Islamic Shari'a?

"The Islamic system is fully eager for the bill, as it is known since the emergence of Islam as an instrument of credit repayment, to perform its fundamental role in commercial activity. Moreover, the investment methods practiced by the Islamic bank, such as limited and open partnerships and profit sharing, lead to curtailing the need for bill discounting and to direct transactions between the parties concerned without the middlemanship of the bank in the borrowing and lending operations between the clients and the merchants. A bill holder can get cash flow for his operations without resorting to discounting his bill for a certain interest rate, thus avoiding a fall into what God has prohibited. But the use of a bill at its full face value is permissible. In the partnership operations, the bill can act as the client's share in the partnership's capital, or the bill can be included in a profit-sharing sale transaction on the basis of delaying payment of the installments in return for acquiring the goods desired and so forth."

'Isa Abu Tabl: "The idea projected by Dr Fu'ad al-Sarraf regarding the Islamic 'paper' requires a major conference to study all its financial, economic, legal, accounting and jurisprudential aspects.

"A second point: I demand that the current companies law be amended and that a special section be included in its for the Islamic banks and firms that do not deal in interest rates."

'Abd-al-Sami' al-Misri: "The proposal made by Dr Fu'ad al-Sarraf--the Islamic 'paper'--can solve the problem of short-term financing. We can set up an investment company that issues such a paper for the benefit of any company. Computations are then made at the end of the investment period, for example, and the capital [paper] holder gets a legitimate profit."

'Abd-al-'Azim Gharib: "The study presented to us by Dr Fu'ad al-Sarraf on the money market raises a proposal in my mind: Why don't the Islamic banks establish a major bank similar to the International Settlements Bank of Switzerland to do the settlements and to gather and combine some services between the Islamic banks?"

Dr Hasan Husni: " It is difficult to talk of Islamic securities without considering the money market in its scientific and realistic sense. Consequently, I can say that most of the activities of the Islamic banks are still tied fundamentally to currency market transactions and not to the capital market. The thing is that we must focus on development and investment so that if the activity extends to major projects, it will be possible to determine the types [not further identified] that can be used in the money market."

Dr Fu'ad al-Sarraf: "Financing the operations just mentioned is actually being studied by the Faysal Islamic Bank of Egypt. But the matter requires a serious and clear study when expanding in application so as to determine the bank's profit, the financier's profit and the profit of production in the companies and factories.

"As for the statement that the Islamic banks are still dealing in the currency market and not in the investment market, it is a statement that disregards the age of the Faysal Islamic Bank of Egypt, for example, which is no more than 4 years old. Despite this, the bank has participated in the establishment of 27 new companies to whose capital we have contributed \$90 million. This means we have surpassed the legal percentage of the partnership set for us by the Central Bank."

We stop here at these issues, which have been reported along with the studies and the discussions that took place of them, to move to the most serious issue, namely the issue of cooperation among the Islamic banks and the spheres and methods of this cooperation. We will then move to the issue that is constantly open to discussion, namely the issue of the methods of employing monies in the Islamic bank and of studying the economic feasibility of projects in the Islamic banks. Until the next edition.

[No 3091, 6 Jan 84 pp 64-68]

[Text] This is the third and final part of the article on the plenary symposium which discussed the "Role of the Islamic Banks in Economic and Social Development" and to which the Faysal Islamic Bank of Egypt had called. The symposium convened over a period of 3 days during which the symposium discussed the thought and application of the Islamic financial transactions and banking system in six profound studies. The symposium also discussed the practical applications of the role of the Islamic banks in economic development in four serious studies. Then there was a discussion of the practical applications of the role of Islamic banks in social development through a number of studies, considering that the Islamic banks exclusively perform the social role, in addition to the economic role, through the alms tax, the charity loans and so forth. The symposium then proceeded to the issue of the development of the banking services in the Islamic banks within the framework of the rules of the Islamic Shari'a. We have already reported on these discussions in the two previous editions of AL-MUSAWWAR.

In this third part, AL-MUSAWWAR presents the most serious and important discussions of the plenary symposium on the spheres and methods of banking cooperation between the Islamic banks. The session was chaired in part by Counselor Ahmad Thabit 'Uwaydah, the chairman of the State Council, and then by Counselor Mahmud Fahmi, the chairman of the Egyptian Securities Market Authority, when it discussed the issue of the methods of employing monies in the Islamic banks in light of the rules of the Islamic Shari'a. The previous sessions had been chaired in order by Dr Muhammad Fu'ad al-Sarraf, the governor of the Faysal Islamic Bank of Egypt; Ahmad Amin Fu'ad, the chairman of the Board of Directors of the Islamic Investment and Development Bank; His Eminence Shaykh Ibrahim al-Dasuqi, the minister of religious trusts; and Muhammad 'Abd-al-Fattah Ibrahim, a former deputy prime minister for financial and economic affairs. A large number of bankers, financiers, economists and university professors took part in the studies and the discussion. The symposium was convened under the chairmanship of His Highness Prince Muhammad al-Faysal Al Sa'ud, the chairman of the Board of Directors of the Faysal Islamic Bank of Egypt. In view of the importance of the symposium, it was opened by Dr Mustafa al-Sa'id, the minister of economy, on behalf of Prime Minister Dr Fu'ad Muhyi al-Din and was attended by Dr Salah Hamid, the minister of Finance, and Dr Kamal al-Janzuri, the minister of planning. It was also attended by a number of clergymen, including His Eminence Shaykh Jad-al-Haqq 'Ali Jad-al-Haqq, the grand imam and shaykh of al-Azhar; His Eminence Shaykh Ibrahim al-Dasuqi, the minister of religious trusts; His Eminence Shaykh 'Abd-al-Latif Hamzah, the mufti of the republic; and His Eminence Shaykh Muhammad Khatir, the chairman of the Legal [Religious] Control Committee of the Faysal Islamic Bank of Egypt and the ex-mufti of the republic. The sessions' chairmen and rapporteurs were introduced by Dr Fu'ad al-Sarraf who alone contributed three studies of the various issues discussed by the symposium. Counselor Ahmad Hassan acted as the symposium's general secretary.

Let us now proceed to the symposium's most important discussions on Islamic transactions in practice and the soundness of such transactions in light of the rules of the Shari'a--discussions characterized by vitality.

Counselor Ahmad Thabit 'Uwaydah: "I am honored to be participating in a symposium on the Islamic banks that have fulfilled a dear wish in the heart of every Muslim and in the mind of every Muslim seeking to invest his monies in accordance with the Islamic Shari'a. It is required that every Muslim support and assist these banks, and we are required to cooperate among ourselves to support them. The Islamic banks themselves are required to cooperate with each other to exchange assistance and expertise, whether in the sphere of investment, in conducting feasibility studies, in exchanging information or in participating in big projects." Counselor 'Uwaydah then invited the researchers to present their studies.

Dr Shawqi Isma'il Shihatah: "The emergence of the Islamic banks has been a good omen for the breaking of a new dawn of Islamic culture and civilization in the money and economic world. These banks can offer the Arab and Islamic World, even the entire world, a successful cure for the economic, social and moral problems that have emanated from dealing in usury with all its evils and corruption.

"The study I am presenting today of the methods of cooperation among the Islamic banks reviews a number of points:

"The sphere and methods of the economic feasibility studies: This aspect requires the establishment of special outfits within each of the Islamic banks, with the International Union of Islamic Banks represented in these outfits. This is in addition to setting up a central agency under the control of the General Secretariat of the Banks' Union to undertake the economic feasibility studies of major projects. There is no harm in enlisting the assistance of groups of consulting firms or of teams of experts for the purpose.

"The Islamic banks should cooperate in the sphere of banking and marketing data and in setting up a central data center that helps the decisionmakers in these banks to make the right decisions and to determine the alternatives to the system of the conventional banks. I hope that the Central Bank will deal with the Islamic banks in a manner compatible with the nature of the methods of these banks which are different from those of the conventional banks.

"These banks should cooperate in the sphere of major projects in the Islamic countries in order to support the national economies of these countries, especially in the infrastructure projects necessary for economic and social development and requiring medium- or long-term financing, after making sure of the economic feasibility of these projects. The Islamic banks can establish a fund, be it regional or international, to finance these major projects.

"They should cooperate in developing investment in all parts of the world. This makes it necessary to establish a communications network and a network of correspondents so that communication may be established among the Islamic banks in the various countries and may make it possible to recognize the investments opportunities with the purpose of serving the investors, of performing the act of the investors' legal agent and of organizing the process of subscription to projects and of managing projects and purchase and sale transactions in accordance with the rules of the Shari'a.

"They should cooperate in the sphere of leasing, purchasing and acquiring heavy equipment in the manner followed in Europe where the banks purchase such highly expensive and costly-to-maintain equipment and leave it to people implementing major projects, provided that the Islamic banks agree to set up numerous companies specialized in acquiring and leasing equipment.

"These banks should exchange the various experiences they undergo in order that they may disseminate Islamic economic thought in the Islamic countries. They should also devote attention to the sphere of information and should publish special leaflets and pamphlets and Islamic heritage books pertaining to the financial and economic aspects."

## Competition and Integration

Dr 'Abd-al-Fattach Shawqi: "In order that we may have a clear vision, let us ask: Are the Islamic banks in competition or are they integrated? There is nothing wrong with competition. But in this phase of application of the Islamic economy, the Islamic banks must be integrated, especially since the deposits and monies flowing into these banks annually exceed the absorption channels [capacity] of the projects. This integration serves Islamic development. It also leads us to talk of the need of the central unity of data through a computer unit connected with all the Islamic banks. As for the establishment of a unit to study the feasibility of projects, there are small projects which can be studied by the individual bank and big projects that need a central agency to study their feasibility. I propose that the International Union of Islamic Banks make a survey of the Islamic world's needs and determine the countries that require development investments in a manner beneficial to the Muslim people. As for the question of the Islamic central bank, it is hoped that such a bank will encourage investment and divert monies from bank to bank. There has been initial approval for such a bank. This is a big step because the establishment of these banks will encourage economic development and the implementation of projects. It should also encourage long-term deposits and provide us with some sort of protection."

Dr Shawqi Shihatah: "Insofar as the issue of integration and competition between the Islamic banks is concerned, the fact is that there is integration and competition at the same time. Competition is legitimate and required because there are projects and there are investors wishing to earn a suitable profit and yield regulated by the Shari'a controls. Through such activities, the social role is performed. As for integration, all these banks are tied together by the International Union of Islamic Banks which was founded by a resolution by the Islamic countries. Regarding the foundation of a central Islamic bank, it is my opinion that a central bank is a government bank emanating from the state's authority and has the power to dictate. But in this case, groupings can be formed at the regional level, at the level of each separate state or at the international level to coordinate and channel the activities of these banks."

## Set-Term Profit Sharing

Dr Mahmud al-Naghi: "The profit-sharing sale contracts are permitted by most legal authorities and there are no provisions prohibiting them. Moreover, the actual practices include models that have proven their benefit to both the Islamic bank and to the clients dealing with it in contracts of this type.

"As for the set-term profit-sharing sale contracts, they have their mainstays and their conditions which, if fulfilled, make the sale sound and valid. These mainstays and conditions are embodied in:

"Making known the original purchase price and costs until sale time.

"Making known the profit rate and setting this rate according to the original price.

"Noting or describing the risks involved in the sale.

"Showing the sale deadline.

"Showing the method of repayment of the sale price.

"The extent of adherence to implementing the contract.

"This is why I propose the following method for computing the Islamic profit-sharing contracts:

"Determining the purchase cost and other costs pertaining to the purchase deadline and to administrative expenses.

"Determining the profit margin.

"Determining the sale price and the relationship of this price with the change in the purchasing power of the currency unit involved and with fair price in Islam.

"Dealing with the accounting methods for payment of the sale price.

"The accounting impact of violating the contract terms.

"We can now raise the following question: What are the shortcomings of the accounting framework applied at present to the Islamic set-term profit-sharing contracts?"

Dr Kawthar al-Abji: "Leasing occupies a very important place in the advanced world by virtue of its realizing numerous benefits for both the lessor and the lessee. Its importance is also evident insofar as the Islamic bank is concerned because this bank can invest a considerable part of the resources available to it for the purchase of equipment and various assets with the purpose of leasing them. Such investment is irreproachable, and the yield emanating from it is irreproachable from the Shari'a viewpoint because the financing of leasing activity serves productive objectives. We must keep in mind the difference between lease-financing activity whereby the lessor retains the right of ownership upon termination of the contract period and the lease-sell activity whereby ownership of the asset transfers to the lessee at the end of the contract period. This kind of activity does not differ from the other legitimate activities of the Islamic bank insofar as the employment and investment of monies and concerned, such as the activities of financing by partnership, limited partnerships, profit-sharing contracts, direct trade, the purchase of the shares of Islamic companies or the foundation of independent Islamic companies.

"After reviewing the accounting system proposed for this activity in light of the rules of the Shari'a, this system is capable of ultimately finding out the value of the profit earned and of distributing it correctly among the parties involved in the financing and the contracts and the owners of investment deposits without violating any Shari'a rules."

Dr Yusuf Qasim: "Insofar as the profit-sharing sale contract is concerned, some jurists have permitted it but have set for the purpose six conditions as controls to prevent transforming the legitimate sale into an act of falling into the trap of prohibited usury. However, there is a seventh condition that must be added in order to distinguish between the permitted and the prohibited, namely that there be no difference between the original price and the postdated price so that this difference may not turn into usury which the Shari'a prohibits."

Isma'il Siyam: "Dr Shawqi Shihatah has raised in his study on cooperation between the Islamic banks the issue of competition between these banks. I support such competition, provided it is not transformed into an undesirable fight. But what is the position vis-a-vis the conventional banks branches for Islamic transactions? I believe that they are a step toward implementation of the Islamic teachings. Let us accept these branches within this framework. As for the Islamic central bank and for the concept that this bank represents a state authority, this does not mean that there should not be a strong authority that controls the Islamic banks and that is necessary for them."

Samir Nawfal: "Dr Shawqi Shihatah and Dr Mahmud al-Naghi have said in their studies that there is a difference between the immediate price and the postdated price and that the postdated price is fixed and is determined along with the immediate price. This means profit is regulated on the basis of time, which is in violation of the Shari'a, even though Dr Shawqi has pointed out that the real price and the accounting concept do not recognize standard prices, numerous as they are. If we adopt the standard prices, the conventional banks will tell us that their yield rate is lower than the rate of the change in prices and that, consequently, dealing with these banks is less burdensome than dealing with the Islamic banks."

"As for Dr Kawthar's study, though rich with scientific material, it depends on the science of accounting which revolves in the sphere of modern science. We also find that Dr Kawthar diverts the risks of lease financing to the lessee, even though Islam distributes the risks. Moreover, the accounting proposals she has submitted need Shari'a controls so that matters may not proceed in a non-Islamic direction."

Dr Ahmad Fu'ad: "I would like to explain an organizational point, namely that all the studies presented reflect the viewpoints of those representing them. If we are not satisfied with a study or a point, then this does not mean that we should prevent the presentation of such a point, else we will have prevented dialogue and prevented discussion. If we do this, then why have the symposium at all?"

"The study presented by Dr Shawqi Shihatah is excellent and is fit to constitute the topic of major studies. I suggest that the International Union of Islamic Banks study the recommendations of Dr Shawqi Shihatah which form a framework that can be considered a means for development. As for the study of Dr Mahmud al-Naghi containing the accounting framework in the profit-sharing contracts, the fact is that this framework is the subject of disagreement, is not finally decided and requires comprehensive review."

## Islamic Central Bank

Dr Shawqi Shihatah: "I will answer some observations expressed by the gentlemen commenting on the studies presented:

"There is no disagreement over the issue of cooperation between the Islamic banks and of this cooperation coming under the law of legitimate competition. This cooperation requires data centers and feasibility study centers to handle big projects. In this way, the Islamic banks will cooperate for the economic development of the Islamic homeland.

"Regarding cooperation with the conventional banks' branches for Islamic transactions, we welcome such cooperation, provided that the head office of these banks express this wish to us in writing. We at the Faysal Islamic Bank of Egypt are prepared to put at their disposal all the religious legal opinions after they are reviewed by Shaykh Khatir.

"Regarding the issue of the Islamic central bank, what if in the case of the Faysal Islamic Bank of Egypt, which is subject by law to the Central Bank of Egypt, the Central Bank of Egypt sets certain conditions for deposits and the Islamic central bank sets different conditions? Which one should we follow? As I have said, such a situation is unsound. No central bank should be established without relying on state authority.

"Regarding Dr al-Naghi's study and the attempt to link the yield to time, it is my opinion that there is ambiguity here. Dr al-Naghi empowered me to modify his study and we have done so, explaining that what is meant by time are turnover cycles within a limited period of time. We also pointed out that the return for the lapse of time. In the final recommendations of the study, we have pointed out that time is tied to turnover cycles so as to eliminate ambiguity. Jurisprudents define trade in Islam as the turnover of money by mutual compensation with the aim of making a profit which is realized from the turnover, not from time, contrary to loans.

"As for what has been raised regarding money's purchasing power, i.e., the real value and not the numerical value, it suffices to point out what our master 'Umar ibn al-Khattab did in time of drought when he raised the minimum number of sheep liable to the alms tax from 40 to 100 head of sheep out of consideration for the real value at a certain time because what is important is the economic, not numerical, value. This is why the Shari'a has linked the real value with the numerical value.

"As for what Dr Ahmad Fu'as said regarding the establishment of Islamic companies, the Faysal Islamic Bank of Egypt has set up in 4 years a total of 36 Islamic companies with a capital of 601 million pounds, contributing 68 million pounds to this capital. All of these companies have been founded in accordance with the Islamic Shari'a. The bank has also contributed to the foundation of Islamic banks in other Islamic countries.

"The final point concerns the profit-sharing sale contract. This is a very specialized activity. The Islamic thought has defined what we call at present cost accounting. The justification for the presence of this type of accounting is the presence of the profit-sharing sale contracts and the need to

determine the relationship between the purchase price and the costs in order to find out the price of the commodity. This means that the agreed-upon profit rate is calculated on the basis of the total cost, including the purchase price and the manufacturing, marketing and administrative costs spent on the commodity. The jurisprudents of al-Hanafiyah and Malikiyah schools of theology are in agreement on this point."

Dr Kawthar al-Abji: "I tell you that the science of accounting is a part of the economic science and that accounting is influenced by the economic system, be it socialist or capitalist. Consequently, what I have presented constitutes an introduction to the formulation of applied accounting concepts and systems in the Islamic economy, considering that the Islamic bank is an investment establishment that does not invest in the conventional manner and is not affected by profitability and liquidity the way commercial banks are. As for the opinions presented in connection with lease financing, which is a new system in the West, I have presented this system with the purpose of discussing how to implement it in Islam."

Thus ended the fifth session after a very lively discussion and the expression of numerous opinions on the spheres and methods of banking cooperation between the Islamic banks.

Then started the sixth session on the methods of the employment of monies in the Islamic banks. This session was headed by Counselor Mahmud Fahmi, the chairman of the Securities Market Authority. This last session was the longest, lasting several hours and discussing the most serious issues of the symposium generally.

Dr Fu'ad al-Sarraf: "This symposium was an idea which actually developed during the conference held by the Egyptian Securities Market Authority last March when a number of studies were presented on the financial system of Islam. Those participating in the conference asked that a symposium be organized to familiarize themselves with the Islamic system of transactions. Counselor Mahmud Fahmi, the Securities Market Authority chairman, was the man responsible for the first conference and here he is now heading this important session."

Counselor Mahmud Fahmi: "The securities Market Public Authority is extremely interested in the formulas and systems of Islamic economic development. These formulas and systems constituted one of the topics of the international money market conference which was organized by the Authority last March. The Faysal Islamic Bank of Egypt has responded with the convocation of this symposium, which has presented profound studies dealing with points that raised question marks in the Securities Market Authority. I hope that we will emerge from this symposium with some concepts on which agreement is reached in order to create an Islamic money market in Egypt. I now have four studies in front of me:

"Money and the Markets within the Framework of Islamic Thought.

"The Methods of Employing Monies in the Islamic Banks.

"The Criteria for Analyzing and Evaluating the Problem of Liquidity in the Islamic Banks.

"A View of the Islamic Financial Establishments under the Reality of the Contemporary Economy."

#### Task of Money

Dr Shawqi Isma'il Shihatah: "It is well known that the Arabs had an internal trade in the Peninsula and a foreign trade with both the East and the West. The Arab dinar continued to enjoy a prominent place in Europe throughout 5 centuries. This is why we find rules, controls and systems for the concept of money in Islamic thought which surpasses conventional thinking, which legally permits the beneficial use of money. Jurisprudents divide money into two parts: the monies sector and the supply sector. This is in contrast to the division of money into fixed assets and circulated assets, which include currency and goods. The Islamic division is more precise because it is founded on the basis of the task of money which, the jurisprudents are unanimous, is a means that does not grow by itself but by its being put to use in commerce and industry. Money in Islamic thought requires its owner to use it fruitfully so that it may produce a yield from which a 2.5 percent alms tax, dictated by the Shari'a, is deducted from both the capital and the profit. Let me make a comparison here between the alms tax and the revenue tax which amounts to 23 percent and escalates gradually to say that the real percentage in the alms tax amounts to 25 percent. For example, if the capital is 1,000 pounds and if this capital makes a profit of 100 pounds, then the alms tax amounts to 2.5 percent of the capital or 25 percent. If the profit is added, then the alms tax amounts to 27 percent.

"The Islamic banks have a social role. They have alms tax funds for the monies of the shareholders and account owners who entrust the banks to pay this tax. The Faysal Islamic Bank is exempt from taxes for a period of 5 years and yet it offers 27 percent in alms taxes because it adds the profit to the capital. This percentage is considered a part of the production costs.

"The situation insofar as currency is concerned has changed, with the currency changing into paper money with a gold value. Then there was a deviation from the gold rule. Then we come to the deposit monies which earn no interest in the Islamic banks but rather earn their yield from the activities in which the banks take part, such as partnership and limited-partnership activities and profit-sharing contracts, all of which lead to curtailing the inflationary tendencies.

"We now come to the second issue in the study, namely the issue of the markets. We find that the jurisprudents define commerce with extreme precision as the 'turnover of money with mutual compensation for the purpose of profit.' Let me explain here the connection between the turnover cycles and the immediate and postdated sale price and their relationship with time because the turnover must take time to earn profit. By the estimates of the jurisprudents, a 'year' is required as a condition for the payment of an alms tax on commerce--1 year being the estimated time for the achievement of growth. This means that growth requires time during which the turnover cycles occur and the profit, subject to the alms tax, is earned.

"We now ask: What is the concept and framework of the market in Islamic thought? The answer is that regardless of whether the market is a securities or contracts market, the transactions must take place within the bounds of the Shari'a and in freedom from all forms of usury. As Abu 'Ubayd ibn Salam has said, 'the Muslims' market is like the Muslims' prayer place.' Here is where we talk of the main controls for determining the profit margin in the Islamic money market:

"This profit margin must help the rapid turnover of capital.

"The profit margin must be compatible with the degree of risk because the most important element of the entire Islamic economy and commerce is the element of turnover and risk.

"The profit margin must be in line with the tradition in force.

"The profit margin may not contain prohibited usurious interest. The profit margin is also governed by a fair sale price that does not cheat the seller, buyer or consumer but rather guarantees fairness to all the parties involved. The ruler may, when necessary, set the profit margin.

"As for financing the investment projects and the state's investment budget--profit-oriented financing--it must take place through the systems of partnerships, limited partnerships and profit-sharing contracts which are permitted by the Shari'a, as was done by the treasury house in the days of the prophets and of al-Rashidun caliphs, may God be pleased with all of them."

Muhammad al-Tuhami: "There is a fundamental difference between the banking service offered by the conventional banks and that offered by the Islamic banks which do not embark on any project before ascertaining its legitimacy. The law setting up the Faysal Islamic Bank of Egypt permits the bank to engage in all banking activities in accordance with the dictates of the Islamic Shari'a. These activities are supervised by the bank's Legal [Religious] Control Committee. The resources of the bank's monies are embodied in its intrinsic resources, the investment accounts and the current accounts. The bank employs these monies according to the Islamic financing systems to enhance economic development and to make a profit for itself and for those who have accounts with it. This is done through partnerships, be they profitable or losing, and not through loans in return for interest. The Islamic bank has made a distinction between short-term, medium-term and long-term investments. It has formed the 'commercial partnership' outfit which is concerned with short-term financing and the 'investment partnership' outfit which is concerned with medium-term and long-term investment activities. The Islamic Bank examines thoroughly the projects in which it invests its monies, considering that it is a trustee and an agent of the depositors. It examines the reputation of its clients carefully and it finances only goods for which there is big demand, which are durable and which are not prohibited by the Shari'a. It also makes sure not to help clients hoard goods or speculate in prices.

"As for the Islamic financing systems, they include financing by partnership. This is known in Islam as the joint-liability companies, such as the contracting operations in whose financing the bank participates after ascertaining their soundness and the ability of the contractor to implement them. The bank also offers such operations all banking services when a contractor abandons an operation. The bank commits itself before the project owner to the sound implementation of the operation. There is also the financing by limited partnership which is a contract between two parties, one contributing his capital and the other his labor, with agreement on sharing the profits. There are two kinds of limited partnership: the absolute limited partnership which is not tied to a time or a place and the restricted limited partnership in which a partner becomes the liable party if he violates the terms of the partnership.

"As for the investment partnership outfit which is concerned with medium-term and long-term financing operations, the constitution of the Faysal Islamic Bank of Egypt permits it to invest a part of its monies and of the deposits it has on its own or under supervision to achieve a reasonable yield."

#### Problem of Liquidity

Dr Husayn Shihatah: "It has become evident to me from my field studies that the Islamic banks suffer from the problem of surplus liquidity, with this surplus exceeding 80 percent in some banks in some years. This creates a serious problem, in contrast to the usurious bank which can deposit its surpluses in any other bank to earn a certain interest rate. This is why I urge those responsible for this symposium to organize a separate symposium to study the problem of liquidity in the Islamic banks.

"The seriousness of the problem is due to the fact that the Islamic Shari'a prohibits the hoarding and withholding of money. When liquidity becomes excessive in the Islamic bank, then this means that the bank has withheld the money and violated the Shari'a. Moreover, excessive liquidity harms the reputation of a bank which has failed to invest the Muslims' monies in activities producing economic and social benefits for the Muslim masses. In addition, excessive liquidity leads to reducing the total yield of the bank's activities.

"This is perhaps due to the fact that the network of Islamic banks is limited and that there is no integrated data [exchange] system between the Islamic banks. I am afraid that in their endeavors to solve the surplus liquidity problem, the Islamic banks will resort to methods that don't help economic growth, such as resorting to the securities market or the silver and gold market, with all the suspicions engulfing them.

"The Islamic banks also resort to putting interest-free deposits into usurious banks, with the deposits withdrawable whenever needed. This is harmful to the Islamic banks.

"To deal with this problem, I suggest that the Islamic banks conclude a common agreement to exchange surplus liquidity, as has happened between the Gulf banks, for the benefit of projects in any Islamic country. Moreover, there

are investment spheres upon which the Islamic banks have not yet embarked, such as long-range projects that absorb such liquidity. I also propose the foundation of an Islamic money market and the issuance of an Islamic paper [bond] that absorbs the liquidity of these banks. Let me point out also the subservience of the Islamic bank to the central bank and the requirement of a certain percentage for a legal reserve. We must make a distinction between the Islamic bank and the usurious bank. This is why the subservience of the Islamic banks to the laws of the central banks must be reexamined because it is unfair."

Yasin 'Umar al-Imam: "As a result of development, there has been a concentration [of money] and we have seen the major establishments control the economic decisionmaking, with disregard for the public's interest. The usurious financing has led to the explosive rise in the prices of goods and services. However, the foundation of the Islamic financial establishments heralds an alternative system that pleases mankind. Therefore, a strategy must be formulated to end the Western economic systems and replace them by the Islamic systems.

"I propose that the Islamic banks devote attention to the small and rural industries in order to create small production units that eliminate monopoly, help improve the local environment and reduce the reliance on the major industrial countries. Moreover, agriculture must be given top priority. To achieve agricultural development, the role of money and of land in the production process must be reexamined, giving labor a role greater than the role it has in the other production relationships."

His Eminence Shaykh Muhammad Khatir: "I object to calling auctions [al-muzayadat] and price-raising ventures mudarabah [limited-partnership company] because mudarabah is one of the Islamic companies.

"As for Dr Husayn Shihatah's accusation against the Islamic banks of depositing their monies in the usurious banks, I say that the Islamic banks deposit their monies with numerous banks as correspondents [agents] because the Islamic banks are not widespread and so that these other banks may serve the Islamic banks' clients.

"As for a person who leaves his land fallow, the land should be taken away from him. This happened during the Venerable Prophet's ear. This is my comment on the Sudanese friend's statement.

"As for our daughter Dr Kawthar, she has used Western terminology excessively, as in the case of the phrase 'investment deposit.' It is better to say 'investment account.'

"In this lively session, there were numerous discussions, opinions expressed and comments made on issues raised by the researchers and the observations made by their eminences Shaykh Muhammad Khatir and Shaykh Zaydan Abu al-Makarim, Mr al-Baqir, Sadiq Muhammad 'Ali, Samir Nawfal, Muhammad Yusuf Muhammad, Ibrahim al-Jabali, Dr Isma'il Shalabi, Yusuf 'Abd-al-Rahman, Shaykh Sayyid Ahmad, Yusuf Qasim, 'Abdallah al-Zakawi, Dr Ahmad Fu'ad 'Abd-al-Kahliq, Dr Kawthar 'Abd-al-Fattah al-Abji, Maj Gen 'Adil Ghunaym, 'Inayat al-Hakim,

Dr Husayn Shihatah, Yasin 'Umar al-Imam and Dr Shawqi Isma'il Shihatah, all of whom expressed their opinions, made invaluable observations, commented on observations made by others or presented studies which were subjects for discussion."

Thus ended the symposium sessions with all their studies and all the discussions that took place on those studies. The issues were crystallized in specific recommendations for which the final session was devoted. Muhammad Hamid Mahmud, the deputy chairman of the [Faysal Islamic] Bank; Dr Fu'ad al-Sarraf, the bank governor; His Eminence Shaykh Muhammad Khatir, the chairman of the bank's Legal [Religious] Control Committee; and Ahmad 'Adil Kamal, the bank general director, sat [on the dais] while Counselor Ahmad Hassan read the symposium's recommendations.

Dr Fu'ad al-Sarraf: "We thank God for the success of this symposium and I attribute this success to all the participants, whether they have participated with their studies, discussions or comments. These studies have covered the role of the Islamic banks in economic and social development as well as the means and instruments that lead to this goal. All these studies have their profound impact on the Islamic experience in the Islamic banking system which has not surpassed its childhood to reach its youth. I hope that the role of these banks will always remain youthful.

"Representatives from the fraternal Islamic countries of Sudan, Dubai, Qatar, the Kingdom of Saudi Arabia, Pakistan, Bangladesh, Jordan and Kuwait participated with us. Numerous organizations from the Islamic world also participated.

"Finally, I thank Prime Minister Dr Fu'ad Muhyi al-Din for deputizing Dr Mustafa al-Sa'id, the minister of economy, to open the symposium. I also thank the grand imam and shaykh of al-Azhar, his eminence the minister of religious trusts, his eminence the mufti of the republic, the ministers of finance and planning and all those who have participated with us in the symposium."

Muhammad Hamid Mahmud: "I am honored to thank on behalf of His Highness Prince Muhammad al-Faysal Al Sa'ud, the chairman of the Board of Directors of the Faysal Islamic Bank of Egypt, those who have participated with us in this lofty symposium. I implore God to give us success in reaching the goal of establishing the Islamic economy in all parts of this world in order to bring the Muslims prosperity and growth."

#### Fourteen Recommendations

Counselor Ahmad Hassan, the symposium general secretary, read the symposium's following recommendations to the participants:

The Islamic banking system is a complete system that has achieved a success that has exceeded all expectations and that has been able to attract certain segments of depositors who had never dealt with banks. Therefore, the positive legislation must provide this Islamic system with the opportunity to achieve its goals in serving the national economy.

The Islamic banking system seeks primarily to develop society and to produce a legitimate profit.

The Islamic banks complement and support each other and cooperate to perform their message in all spheres of joint investment, employment and banking services and in handling surplus money liquidity.

The Islamic banks are not competitors of the conventional banks.

The experiment of the conventional banks' branches for Islamic transactions, now that such branches have become a reality, is a step on the path and a confirmation of the success of the concept. Therefore, as blocks in the edifice of the Islamic banking activity, they must abide by the mainstays that insure the performance of their message within the framework of the rules of the Islamic Shari'a. The Islamic banks must help these branches attain this objective.

Attention should be devoted to attracting long-term investment deposits to the Islamic banks in order to enable these banks to participate effectively in long-range investment projects.

It is necessary to devote greater attention to the social and cultural dimension of the Islamic banks so that they may set up educational and cultural institutions and charitable hospitals in Islamic society.

It is necessary to innovate new investment methods compatible with the rules of the Islamic Shari'a, such as the sell-finance and lease-finance activities as well as other activities.

It is necessary to formulate a unified accounting system for the Islamic banks and to set up information and data centers in them to serve these banks.

It is necessary to deal with the expected liquidity surpluses in the Islamic banks as a result of the increasing interest in dealing with these banks and as a result of their geographic expansion and their attraction of a broad range of depositors. It is necessary to deal with these liquidity surpluses by proposing an Islamic paper that can be circulated in the same manner as the bond of the ordinary companies in order to set up an Islamic money market. Further economic and legal studies are required for this paper on which we may rely as a source for financing major long-range projects. The Islamic banks must also participate in setting up joint projects.

Considering that the human element represents the basis of Islamic banking activity, it is necessary to train this element at the Islamic and banking levels so that it may be able to shoulder the responsibility and keep pace with the spread of these banks.

The Islamic banks have achieved great success in attracting a large number of deposits that can be channeled toward developing the Islamic societies. However, these banks hope that the [official] banking control agencies will

understand their conditions and needs and will amend the legislation governing banks and credit to insure the success of the Islamic banks and to prepare them to serve society and to develop it economically and socially.

Efforts should be exerted to disseminate the system of investment accounts initiated by the Faysal Islamic Bank of Egypt, to familiarize the Muslim masses with these accounts and to attract to them resources that support the alms-tax resources in order to achieve social development. Efforts should also be made to discuss understanding, managing and investing orphans' funds.

Efforts should be made to unify the formulas and terms used in the Islamic banking system in order to achieve uniform names and terminology.

[Box in No 3089, 23 Dec 83 p 66: "Figures on Faysal Islamic Bank of Egypt"]

[Text] For the budget of 1403 of the Hegira [1983], compared to the previous year:

Volume of assets and discounts amounted to more than \$1,504,000,000, with a growth rate of 51 percent over the previous year.

The volume of regular accounts amounted to more than \$437 million, with a growth rate of 140 percent over the previous year.

The balance of the investment, saving and current accounts amounted to nearly \$1,217,000,000 with a growth rate of 53.5 percent over the preceding year.

The volume of financial investment, whether in partnerships, profit-sharing operations, limited partnerships or external investment, amounted to \$1,267,000,000, with a growth rate of 54.4 percent over the previous year.

The volume of local investments in current commercial and production activities, whether through partnership, profit sharing or limited partnership, amounted to \$607 million, with a growth rate of 90 percent over the previous year.

Regular accounts numbered nearly 618,000 accounts, with the total volume of deposits amounting to \$1.22 billion.

The total yield [profit] from the bank's activities amounted to nearly \$107 million, with a growth rate of 43.7 percent over the previous year.

[Box in No 3089, 23 Dec 83 p 67: "Three Questions and Three Answers from Prince Muhammad al-Faysal Al Sa'ud"]

[Text] In the wake of the opening session of the Islamic banks symposium, journalists met with Prince Muhammad al-Faysal Al Sa'ud, the chairman of the Board of Directors of the Faysal Islamic Bank and the symposium chairman, and raised numerous questions which the prince answered with extreme composure.

[Question] You have announced that the bank has set up three major projects in Egypt. What are these projects?

[Answer] Yes, this is true. But we have numerous options and have made various determinations on the sites inside Egypt. All I will say is that they are production projects that serve Egypt's economy.

[Question] Are these projects within the framework of the Egyptian state plan?

[Answer] Any project offering production serves to strengthen the Egyptian economy.

[Question] What is your opinion of the conventional banks' foundation of branches for Islamic transactions, keeping in mind that they are fundamentally banks that deal in interest?

[Answer] Any dealing on the basis of the Islamic Shari'a is desirable and we encourage it. What is important is that there is a beginning. Don't think that there is competition. What is important is good will. There is no harm in having all the banks embark on this beginning. There is no conflict with us in this regard.

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FLAWS IN FOOD INSPECTION SYSTEM REVEALED IN CASE OF IMPORTED FISH

Cairo AL-AHRAM in Arabic 1 Jan 84 p 9

[Article by Husayn Shahbun: "Food Control between Protecting People from Damaged Food and Extreme Caution That Exposes Public Money to Loss; 6,400 Tons of Imported Fish Wait for 7 Months to be Released; Ministry of Health Rejects Shipment and Neutral Commission Asserts Its Fitness for Consumption"]

[Text] Why have fish prices risen in an unprecedented manner in recent months? It is evident that these prices are rising constantly. The price of a kilogram of al-bulti fish, a most popular and least expensive variety of fish, rose last May by nearly 1.5 pounds, rising even higher than last October. The price of a kilogram of large-size al-bulti fish has exceeded 4 pounds. At the same time, the booths controlled by the Fish Marketing Company and the consumer cooperatives have almost no fish to offer, and they do not offer fish in the usual volume. This has given the private sector the opportunity to monopolize the market and to flare the prices. This is the beginning and we ask: Where is the fish supplied by the Ministry of Supply and why does not this ministry intervene to supply, in accordance with its policy, the inexpensive varieties to people with limited income, to establish a balance between the supply and demand and, consequently, to control the insane prices?

It was a surprise to us to find that shipments of 6,430 tons of popular varieties of fish that are in demand and which have been imported for the Ministry of Supply and are sold at subsidized prices--it was a surprise to us to find that these shipments are still stored in refrigerators and awaiting the final decision for their release. The second surprise was that the delay in the final release of these shipments, which exceed 6 million pounds in value, is the refusal of the Ministry of Health to approve their fitness for consumption even though all the other food control agencies, including the veterinary research institutes of the Ministry of Agriculture, the Imports and Exports Control Authority and other food control authorities, have approved their fitness. With this contrast and conflict of opinion, Dr Mustafa Kamal Hilmi, the deputy prime minister, issued a decree forming a high-level neutral commission in which the colleges of medicine and agriculture and the Ministries of Agriculture, Supply and Health were represented to reexamine these shipments and determine their fitness for consumption.

We were awaiting the report of the neutral commission and the final decision on these shipments when the third surprise came: All the detained quantities of fish, except for 130 tons damaged during storage because of the poor condition of the freezers used, are fully fit for consumption. What is surprising is that the opinion of all the commission members, including that of the representatives of the Ministry of Health, is almost unanimous. These shipments of fish were released and supplied to the markets so that people may find their needs at prices compatible with the capability of the majority of the people. The final surprise was that the same story, almost with the same details and sequence, occurred last year and thousands of tons of imported fish were saved at the last moment. Dr Yahya Hasan, the chairman of the Fish Resources Development Authority and of the neutral commission formed by the deputy prime minister for service and the minister of education and scientific research, has said that this is not the first time in which the final decision to release imported fish shipments has been delayed because of the conflicting opinions of the technical authorities responsible for examining imported foodstuffs and not the first time a neutral commission has been formed to examine such foods. The total volume of the fish imported in this case was 6,431.9 tons of fish of the mackarel, horse mackaral and some other varieties of fish imported by the Egyptian High Seas Fishing Company for the Ministry of Supply to be marketed through the cooperatives at prices affordable to all groups of people. The shipments arrived aboard four boats, the first arriving on 20 March 1983 and the last on 7 June 1983. The customary procedure following the arrival of such shipment is to examine them immediately with the knowledge of a committee that comprises 16 experts representing all the food control and food circulation agencies. Samples are taken to be examined at the laboratories of the Ministry of Health and of the Veterinary Medicine Section of the Ministry of Agriculture. The report of the initial examination committee stated that the fish were fit and had retained all their qualities, and this committee recommended that the fish be unloaded from the boats into freezers until the results of the laboratory tests of the Ministry of Health and of the Veterinary Medicine Section are received. All the reports of the results of the tests by the Ministries of Health and Agriculture indicated that the fish were free of germs and of any signs of damage and of spoilage. But the reports of the Ministry of Health rejected all these conclusions because each shipment contained a sample with packaging damage. It is well known that such damage comes as a result of the automatic processing steps and that this damage reduces the grade of the food but does not cause it to be unfit for human consumption.

As for what happened last year, the quantity imported was nearly 3,000 tons valued at more than \$2.5 million. The Ministry of Health refused to release that shipment also and this led to a proposal to form a neutral commission to reexamine the shipment. The commission was formed of nearly 50 specialists from the Universities of Cairo, 'Ayn Shams, Alexandria, al-Zaqaziq and the Suez Canal and of the Ministries of Health, Agriculture and Supply. The university team included a number of microbiology professors at the schools of medicine and of professors of food sciences at the schools of agriculture. After conducting unprecedented chemical tests, the commission concluded that the fish were fit for consumption. But the Ministry of Health insisted on destroying nearly 1,000 tons of the fish as a precaution, according to the destruction report, even though the outcome of the reexamination had proven

that the fish were fit. Thus, 2,000 tons of fish were released while the rest was destroyed. Not a single complaint was received in connection with the quantities that were marketed. As for the commission's report this year, it says that it has become evident to the neutral commission that all the shipments received were fit for consumption, excluding 130 tons proven to have been stored in a freezer unfit for the purpose. Some of the experts expressed the opinion that this freezer not be used for the storage of foodstuffs, especially protein foods, again.

Why does the Ministry of Health refuse to permit the release of the fish despite their fitness?

Dr Yahya Hasan said: "At times it is out of caution and as a precaution to insure the fitness of the food. At times it is because of the presence of nematodes, on which fish feed, in the intestines of the fish or because of mechanical damage to the skin or to other parts. I believe that these causes are not enough to prompt rejection. They do not affect the fish's fitness for consumption. The tests conducted under the supervision of trained specialists and food scientists prove this. Though the flaws of mechanical damage reduce the value or quality of the commodity, they do not affect its fitness for consumption."

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## NEED FOR GREATER SUPPORT FOR LIME BRICK INDUSTRY CITED

Cairo AL-AHRAM in Arabic 1 Jan 84 p 9

[Article by Mahmud Mu'awwad: "Before End of Year, after Which Red Brick Plants and Furnaces Are Shut Down, Lime Brick Industry Is Threatened with Coming to Halt"]

[Text] Even though the state, with all its agencies, now stands--in the wake of the issuance of the new soil removal [al-tajrif] law which has given the owners of red brick plants a grace period of 2 years, one of which has already passed, before shutting down their plants--against the removal of soil from cultivable lands, the practical reality shows that the state is still subsidizing the owners of red brick plants by supplying them with heavy oil, electricity and energy resources at subsidized prices while withholding this subsidy from the investment companies that have responded to the state's appeal to find alternatives before the lapse of the grace period, to develop the production [of bricks] and also to develop and make use of the resources of the desert lands. As a result, the companies working on the production of alternatives to red brick and now facing the threat of coming to a halt and of financial bankruptcy because they pay the energy costs at the international prices.

This is why Engineer Hasaballah al-Kafrawi, the minister of housing, construction and land reclamation, has asked the ministers of petroleum, electricity and investment to subsidize the alternative industries to red brick so, as to protect the building and construction projects which will rely only 1 year from now on the lime brick plants which will replace the red brick kilns. In a report to the Ministerial Production Committee, Engineer Hasaballah al-Kafrawi says that insofar as the brick plants are concerned, there are two [energy] prices. One is local from which the private sector, whose activity is based on the removal of soil from cultivable lands, benefits. The public sector companies engaged in the brick lime industry also benefit from this price. The other price is an international price charged to the investment companies whose economic feasibility studies were based on their acquiring energy at the locally prevalent prices, keeping in mind that Ministerial Decree No 42 of 1981 concerning the accounting process permits the deduction of a certain percentage of the international energy prices for the investment projects producing construction materials and ceramics. But this percentage has not been set yet. Consequently, these companies are still charged on the basis of the international prices, and this fact affects the economic position

of the investment companies engaged in this newly-born industry as a result of increased production costs. Therefore, says the minister of housing, it is impossible for them to sell their products at a price covering their increased costs due to the presence of an alternative sold at a much lower price. This will result, in addition to the loss of the capital of these companies, to investors refraining from setting up new investment companies engaged in industries producing alternatives to the red brick. Consequently, the removal of soil from cultivable lands will continue. There is an extra cost of nearly 42 pounds in the production of typical bricks equal in measurements to the conventional red brick as a result of charging [the investment companies] the international energy price. Meanwhile, the conventional red brick is sold at an average of 50 pounds per 1,000 bricks. This proves the lack of equal opportunities due to the enormous difference in the costs.

Engineer Muhammad Hasan Durrah, a member of the People's Assembly who has queried the government on this issue, said: "Bricks are one of the materials involved in the implementation of housing projects which the state must subsidize. Therefore, clear decrees subsidizing the industries which the state views as vital industries must be issued. We must also note that the lime brick industry, in addition to being fundamental to construction, spares Egypt the harm done by the removal of soil from cultivable lands. If the state does not wish to expand its subsidies, and this is a good sign, then it is also necessary to abolish the subsidy for other similar companies, especially the red brick industry companies, in order to treat all equally and to provide them with the opportunity of competition, keeping in mind that the red brick industry has the distinction of ruining cultivable lands."

Dr Wajih Shindi, the minister of investment and international cooperation, said: "In response to the call of the minister of construction, a committee was formed to discuss this issue and this committee has concluded that it is necessary that the Ministry of Housing and Construction set the sale price of lime brick at 50 pounds [per 1,000 bricks], delivered at the plant. This is the price charged by the public sector company engaged in this industry despite the high production cost of lime bricks. It is also necessary that the Ministry of Construction follow up on the production of these plants and on their energy consumption with the purpose of rationalizing this consumption. The ministry must also use the budget of the public sector company operating in this sphere for indicators of the actual fuel and electricity cost as a basis for computing the fuel and electricity consumption rates and their percentage to the cost of the product in the investment companies which must be charged the local energy prices for 2 years, i.e, as of the date of enactment of the law banning soil removal. As for the plants that are under construction, the 2-year period should be computed as of the start of operation."

The minister of investment added that the value of the expected subsidy for the lime brick plants for the years 1983-84 and 1984-85 will amount to nearly 20 million pounds, which will be included in the budget of the Public Egyptian Petroleum Authority, with the Ministry of Construction determining the amount of the subsidy for each company separately. The lime brick investment companies will determine the value of their needs within the 2-year period on the basis of the subsidized price, provided that the differences be deducted from the subsidy provision allocated in the Petroleum Authority's budget,

with the authority making payment to the electricity authority from the subsidy allocated for it. This rule should be applied to new companies or new expansions according to need and for a period of 2 years from the start of production. The Ministry of Investment should also repay the differences in the prices of electricity already charged these companies, with the differences due the lime brick companies included in the 1983-84 budget of the Public Investment Authority. Dr Shindi asserted that after studying the conditions of the investment companies, it has become evident that they incur big losses and that it is now impossible for them to continue to finance their operations. Investors have actually refrained from setting up such plants, considering that this is a new industry in Egypt--an industry whose development is made necessary by the country's circumstances. It is an industry operating under extraordinary circumstances and using modern equipment and machinery and desert raw materials with characteristics different from the raw materials used in other countries employing such equipment.

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## ARTICLE EXAMINES COUNTRY'S AGRICULTURAL PROJECTS

London AL-ZAHAF AL-AKHDAR in English 11 Feb 84 pp 14-15

[Text] 'LIBYA PLANS to pipe millions of gallons of well water from deep in the southern desert to irrigate thousands of acres near her Mediterranean coast.' This announcement from the JANA news agency in 1981 was the first intimation to the world of the Great Industrial River Project, a project that is now well on the way to becoming reality. The news itself was interesting, but what is perhaps even more important is that stories like it are no longer just occasional news items. Agriculture is always in the news nowadays in Libya. Not a day passes without an announcement either about a contract being signed or a farm being opened, or whatever. But it was not always so. Ten years ago a story like the one above would have been given major feature treatment for days after in the Libyan press and probably would have warranted some articles in the press abroad. Now it is just another story.

Everyone is used to hearing how Libya was once the granary of the Roman empire, how grain and oil (the olive variety) from what is now modern-day Libya found its way to the far-flung outposts of Rome's domination — to Syria, to Iberia, to Britain. Some Libyans tell you the story almost half in the hope that one day it could be done again. Certainly that seems to have been on the minds of the thousands of Italian colonial settlers in the period before the second world war when they tried to turn Libya into a source of cheap wine and olive oil for Italy and its empire. In fact, much of Italian thinking towards Libya during the colonial period was coloured by dreams of restoring the Roman Empire, rather than anything more practical. Such dreams were just as irrelevant then as they are now.

### Climate and terrain

In two thousand years the climate and terrain has changed so drastically as to rule out any return to the agricultural landscape of the past. In fact, it is probable that the intense degree of cash crop farming carried out during the classical period so exhausted the land that it left it prey to the encroaching desert. The fight against the desert has been a major factor in Libyan agriculture ever since. The Italians, in pursuit of their ambitious dreams, managed to rescue a small amount during their brief presence in the country, but even much of that was allowed to slip back in the years after the second world war. In 1969, on the eve of the Revolution, only about eight per cent of the country was cultivated, a figure that has since been much improved upon.

Till the advent of the oil industry in the sixties, the overwhelming majority of Libyans lived on the land, and farming in one way or another was the only means of earning a living. However, it was small-scale and highly inefficient, so much so that it would be more accurate to say that most Libyans scratched a living rather than earned one. Vegetables, meat, usually mutton, and some cereals, were about the limit, but they were hardly produced in sufficient quantity to meet the farmers' own needs and that of their families, let alone those of Libya as a whole. The poverty that existed in the countryside was acute. Even up to the Revolution, it was not uncommon for small farmers and their families only to be able to afford meat once a week, while the squalor and filth in which many lived was even more appalling, and to those who look around Libya now, only

twelve years later, it seems difficult to believe.

Till as late as the early sixties however, mechanised equipment was almost unknown outside those farms run by the Italians and a few rich Libyans. Electricity was a luxury, and there was certainly no running water. That had to be drawn usually with the aid of a donkey from one of those wells that now seem so picturesque, but then were pure drudgery. Nor did the situation change radically, with the inflow of oil revenues. On the eve of the revolution it was still all too common to find people in the countryside living in something less than a shack.

Not unnaturally, then, in the fifties and sixties, and more especially after the advent of the oil industry, the prospect of work in the cities where the standard of living was considerably higher, was sufficient to lure people away from the countryside in the hope of a decent income and a roof over their heads. All too often, however, people ended up in the enormous shanty towns that shot up around Tripoli and Benghazi.

Where there was some efficiency, in terms of productivity, was on the larger farms along the coastal strip which concentrated on such cash crops as olives, vines and citrus fruit. These were, however, the domain of the Italian settlers, who farmed the land more as if it were Calabria or Sicily, producing the olive oil and wines that were probably more relevant to the economy of Italy rather than that of Libya. However, even their relatively high level of efficiency depended on cheap Libyan labour, and the gradual disappearance of that source of cheap labour due to the rural exodus eventually made such farms economically unfeasible.

The drift from the countryside has continued unabated since the fifties and sixties — at present only about 25 per cent of Libya's workforce live off the land — and in the next four years, by which time the country's population is expected to have gone up by a million to around four million, the proportion of country to urban dwellers is scheduled to drop even further.

The phenomenon has presented the agricultural planners with a headache. As mentioned, the lack of plentiful and cheap labour has made the old Italian olive and citrus groves uneconomic, and recently much of the olive crop has remained on the trees. However, the lack of manpower is not seen as a serious long-term problem. Reorganisation is already being introduced and farmers are being instructed how to use (and being supplied with) modern equipment to improve efficiency and productivity. In those countries where agriculture is at its most efficient, such as the Netherlands, Britain and Denmark,

only about five per cent of the workforce are employed on the land. But more of this later.

### Effects of rural exodus

In the fifties and sixties when there was no money forthcoming and no new technology being introduced, the effects of the rural exodus on agriculture were major, and output visibly declined. Even when the oil revenues started pouring in, there was little attempt to deal with the problem at source. Instead, no small amount of Libya's new-found oil wealth was channelled into food imports that might otherwise have been produced locally.

Since the Revolution nearly LD2.5 billion has been invested in agriculture, two-thirds of it during the 1976-80 Plan. As mentioned, a further LD2.7 billion, the largest single allocation in the new Plan which starts this year, has been earmarked for investment in the sector by the end of 1985. While agricultural experts would be the first to admit that there have been some disappointments when it comes to productivity, the results have on the whole been startling. Other oil-rich countries in the Arab world have invested similar sums, but none have come up with the same results.

Over the past decade, according to the United Nation's Rome-based Food and Agriculture Organisation, Libya managed to increase overall agricultural output by 50 per cent. The only other Middle Eastern country to achieve the same results was Syria, a country that could hardly be put in the same category. Not only has it plenty of that one vital commodity in the Middle East, water (albeit until the Euphrates Dam was built, one that was badly utilised), but it also could hardly be said to lack that other important commodity, skilled manpower. In Libya, prior to the Revolution, both commodities were noticeable by their absence, at least on the surface.

### Nutritional standards

The first objective after the Revolution related to agriculture was to improve the nutritional standards of the people. According to the Secretariat of Planning, before the Revolution the average individual consumption was 1,900 calories of which 164 came from animal sources. By 1975, this had risen to 3,000 calories with those from animal sources about doubling. In fact, however, much of that had to do with the greater availability of cheap subsidised imports, rather than Libyan pro-

duce being more available, and it was only after 1975 that the reorganisation and expansion of agriculture got really under way. The theory behind the agricultural revolution has been defined by Colonel Muammar Qadhafi as being firstly 'to enable the Libyan people to earn their living', and secondly, 'to eat freely' food that previously would have had to be imported from abroad.

To achieve these aims, the 1976-80 Plan pinpointed the following objectives which, it was hoped, would translate that vision into a reality: the achievement of self-sufficiency in cereals, vegetables, fruits and meats to the greatest possible extent; the preservation of natural resources, such as soil and water, so as to ensure their being used efficiently; parity between farmers' incomes and living standards and those in other sectors; the provision of sufficient raw materials for a growing agro-industrial sector; and lastly, the creation of settlements in the new agricultural areas so as to achieve a balanced regional growth.

Self-sufficiency in cereals, vegetables, meats and the like has depended on two major factors involving the use of cultivable land — the reorganisation of land currently available (such as some of the olive and fruit groves in the coastal strip either side of Tripoli) and the continued reclamation of land both for irrigated and non-irrigated use. The latter has been the single most important factor in Libyan agricultural development, and one which demands massive investment as well as the latest technological know-how. Between 1976 and 1980, about 50,000 hectares were put under irrigation while the amount of pasturage added between 1976 and 1980 was around 515,000 hectares. Nor does that take into account the massive amount of land reclaimed for dry-farming. Altogether LD991 million was spent on land reclamation and reconstruction between 1976-80, with an additional LD71 million on dams and water resources. Not only are the final figures about a quarter over what had originally been planned, but when compared to how much was spent on the rest of agricultural development — LD575 million — demonstrates the importance attached to land reclamation.

While reclamation has been carried out throughout the country, till now it had been centred on five massive projects, the development of which has already begun to change the face of the Libyan landscape, replacing scrub land or even arid desert with fields of corn and pasture land. Between 1976 and 1980, some LD940 million was spent on the five projects and another LD1.1 billion has been allocated for further development of the projects by the end of 1985.

The biggest of the five is the Gefara Plain, south of Tripoli, where the eventual aim is the reclamation of one and a half million hectares for both irrigated and dry cultivation. During the last Plan period a total of LD350 million was invested in the zone, and it is now scheduled to receive a further LD360 million by 1986 for continued development. Second comes the Jebel Akhdar zone in the north-east of the country, behind Benghazi, where the plan is to develop 850,000 hectares. It too has received massive investment — LD234 million — in the past five years, with a further LD272 million promised in the next five.

The other three projects are the Fezzan zone, where 40,000 hectares are eventually to be reclaimed, the Sarir and Kufra zones (97,000 hectares) and the Salul al Khadra project (half a million hectares).

Much of the land in all five has already been reclaimed, developed for use, and parcelled up into farms. On the other hand, none are fully complete since they are constantly undergoing change and to a certain extent the planned figures are simply targets that could well be revised either up or down before the projects are deemed complete.

Within the five schemes, various types of crops are now being grown and animals reared, especially sheep (lamb is Libya's favourite meat). Cereals, however, wheat and barley, have a certain pride of place. Both Kufra and Maknusa in Fezzan are already in full cereal production in terms of area, though in the Fezzan zone as a whole, for example, a further LD116 million has been set aside for investment in cereal production in 1986. Kufra, on the other hand, is to get a further LD40 million for cereal production by the end of the Plan period, though most of that will go towards improving productivity. Not that cereals are the sole crop in the new zones, however. Whatever it is that is being reared or grown, their development has done much to improve Libyan output.

Equally important is their role in helping establish new regional centres of habitation. Near the newly established farms, facilities for the well-being of the farms are being set up. The farmers cannot be expected to live in isolation and so schools, mosques, health clinics and shops have already been built in a series of locations and in time it is hoped that as the centres acquire other facilities such as banks and supermarkets, they will develop into provincial towns.

The basic unit for all Libyan agricultural development is the family farm, a situation somewhat different from most other developing countries. With them it is either the collective farm or state-run company farms.

As part of the Libyan belief that no one should be employed by others, rather than he should have as much a say as anyone else in the job he is doing, the smallholding run as a family farm has become the order of the day. This is partly because the family is a logical unit by which to run a farm and also because of the importance of family life in Libyan society. The distinction between the family and individual members is very small — a person who is working for his family is also working for himself. The emphasis on small family holdings also fits in with other ideas developed in the Libyan Revolution, that every individual or family has a right to a home of his or its own, and that land belongs to no one though all have the right to use it.

Each farm when handed over to the new farmer and his family — and many of them in the new zones have come from all over the country — consists of a farm house, an outhouse or two, and a few fields around. Sizes vary according to expected output; an irrigated farm is around six hectares, while a dry farm is usually around 15 hectares. The principle is that each family should earn LD3,000 a year from the farm. There are few, however, that do not also have a herd of sheep and even perhaps a cow or two.

Collectives, of course, have their role to play in Libyan agriculture, but not so much as in the provision of services for the family farms. The acquisition of seeds, fertilisers, and irrigation equipment is increasingly carried out through co-operatives, especially in the new zones, and they also have a role to play when it comes to marketing, storage and distribution. What the Libyan planners hope is that there will be even greater use of them in the future.

Libya does, however, have state farms run on company lines, under the direction of the Secretariat of Agriculture. With new technology to be tried out, often costing thousands, if not millions of dinars — such as giant water wheels irrigating large areas of land or the latest in dairy plant or even new methods of breeding — it requires special expertise to oversee such operations. Farms involved in such activities — dairy and poultry farms are the obvious example — are nearly all run as public sector establishments. Ironically, these come closest to what the rest of the world sees as collective farms since, in line with Libyan company practice, all those involved have a say in the running through the People's Committees.

Not that the two systems — of individually run farms working within co-operatives and public sector farms — are mutually exclusive. The point about the state sector farms is that they are meant to back up the family units as well, of course, as provide produce on a scale that small-

holders would be sore put to emulate. However, the two types manage to interlink in other ways. At Hadba al Khadra just outside Tripoli, both individually run and state-run farms happily function side by side within the one project. The Hadba al Khadra scheme is anyway something quite remarkable in itself in that it depends, in order to irrigate both the public and private land, on water processed at the project's own purification plant from effluent from Tripoli's sewers. The plan is that other such schemes will be set up all over the country to take advantage of the effluent produced in the various centres of habitation but which is currently going to waste.

### Ever-growing demand

In view of Libya's climatic conditions, irrigation is the one factor that cannot be over-emphasised sufficiently when looking at agriculture. Because of the ever-growing demand for water, particularly by the burgeoning population around Tripoli, underground water supplies are being used up more rapidly than ever before. In the Gefara Plain, for example, the result has been the intrusion of sea water into the water table. The need to use water resources more sensibly has long been realised, but only with the Libyan Revolution has anything been done about it. The result has been the programme to radically restructure the old agricultural face of Libya by reorganising land usage. Already farms that used to produce vegetables under irrigation in the Tripoli area have started being turned over for less demanding uses. Vegetable production — in which Libya is now self-sufficient along with the production of eggs — is being shifted partly to new areas where underground supplies of water are more plentiful, but also into greenhouses where far more efficient use of those precious water resources can be made. At the moment about 6,000 tonnes of vegetables are being produced from around 50 hectares of greenhouses. By 1985, this is scheduled to rise to 83,000 being produced from under 649 hectares of glass.

Other innovations have also been introduced in the battle to make better use of Libya's water resources, such as the drip-trickle system of irrigation. Not only guaranteeing the highest efficiency in water usage, it is a system which helps reduce labour and fertiliser costs. However, like so many innovations that are being tried out at the moment in Libya, it is still in the experimental stage.

If the water supply is one of the main problems facing Libyan agricultural development, the other is perhaps a certain amount of over-ambition. Looking

back on the performance of the agricultural sector in the past five years, the Secretariat of Planning in a draft report expressed disappointment that achievements were not higher than they were. The problem was put down to several factors including over-ambitious targets, unfavourable weather conditions, inadequate infrastructure and lack of competent trained personnel as well as supporting technical staff.

This does not mean that Libya now plans to limit its horizons and go for something less than self-sufficiency — continued expansion is the aim, but now the emphasis is on consolidation rather than innovation. What the 1976-80 Plan has clearly demonstrated is that other paths may have to be followed if full self-sufficiency is to be implemented.

In keeping with this, it has been decided that the new Plan will concentrate particularly on developing institutions to back the farms and on educating them, rather than simply starting up yet more new projects. According to the planners at the Secretariat of Agriculture, 'this will mean a high priority for the establishment of a sound institutional framework — education, training, extension, research, marketing and co-operatives'. New projects, it has been made clear, will only be embarked upon, once comprehensive feasibility studies have been carried out and all the groundwork prepared.

### **Agricultural revolution**

This is in fact, simply a logical second stage in any agricultural revolution. Certainly it is not unique to Libya. The new technology comes first, then the process of educating the farms to use it and to adopt new practices relating to agricultural organisation and distribution. Almost the same sequence of events occurred in England during its agricultural revolution in the eighteenth century, although it was hardly as systematically planned and controlled as that which is happening in Libya at the moment.

As the result of the decision to focus on the human element in agricultural production, the main emphasis in the next four years is going to be on those small family farms that are now the basis of Libyan agriculture. They are to be made more efficient, and so more productive, but also the hope is to make the countryside a more pleasant place to live in. After all, if man cannot live by bread alone, that goes just as much for the producer of it as for the urban consumer. The priority is threefold: to improve the living standards in rural communities, with good housing, health

care, education, water and sanitary facilities; to make them more self-reliant, so that economically they are no longer dependent on the authorities for their survival; and to develop local infrastructure in the countryside — transportation, communications and other amenities.

Local services are to be expanded, such as facilities for credits, fertilisers and machinery. Efficient marketing systems are to be introduced and, very important, training schemes are to be intensified. For example, the number of full-time staff involved in agricultural extension services — such as irrigation and fertiliser usage, to mention but two — at the end of 1980 was 42. This is to be increased by 1985 to 600 who will be supported by a further 181 experts working at national and regional headquarters.

What Libya hopes is that by concentrating on the education and welfare of the farmer and improving the infrastructure necessary to his job, productivity will radically increase. That is not to say that new technology and new agricultural techniques will not continue to play a major role, or that areas will not be reclaimed. Under the new Plan, a further 58,000 to 63,000 hectares are to be put under irrigation (though in net terms the increase is less, as between 20,000 and 50,000 hectares in the Gefara Plain already under irrigation are to be transferred to dry farming). In addition, though this is a much more long-term project, there are those plans, referred to in news reports recently, to transfer water from the Tazerbo and Sarir zones in the south of the country up to the coast around Sirte, to provide an additional 80,000 hectares of irrigated land, 50,000 for wheat and the rest for legumes (beans, peas and the like).

### **Development of pasture land**

The development of pasture land is even more ambitious; 1.3 million hectares are scheduled to be developed as grazing land between 1981 and 1985. Not only is that almost three times as much as was developed between 1975 and 1980, but, more significantly, it will up Libya's pasturage by as much a tenth.

Plans such as these should aid Libya in its march towards self-sufficiency. Even then, however, it is not all plain sailing. There may be sufficient fruit, eggs and vegetables produced today, but that will hardly be sufficient for tomorrow. Not only is Libya's population growth rate one of the highest in the world, but with living standards rising, individual consumption is increasing.

In a country where the threat of the desert recedes almost daily as new land comes under the plough, mirages still seem to lurk around; as Libya's farmers increase their output, working towards the goal of self-sufficiency, target figures vanish on approach, only to be replaced further off by new and even larger targets. There is, however, every conviction amongst Libya's planners that by the end of the century, self-sufficiency will have become a reality. Until then agricultural development will continue to receive priority treatment with hundreds of million of dinars being pumped into the land yearly.

Unfortunately for the outside world, most foreigners who visit Libya rarely get the chance to see how agriculture is developing. A visit to a dairy plant outside Tripoli or a poultry farm is about as much as most manage to fit in. When compared to the vast old olive groves and fruit orchards stretching far out to the east and the west of the capital, Libya's progress must seem small. The real development is much further away, and the new farms in the Jebel Akhdar and the Gefara Plain or the enormous water wheels irrigating gigantic circular fields of wheat in the Fezzan, are far more impressive testimony to the changes that have taken place.

CSO: 4500/48

## WATER SUPPLY PROJECT DRAWS MULTINATIONAL INPUT

Frankfurt/Main FRANKFURTER ZEITUNG/BLICK DURCH DIE WIRTSCHAFT in German  
2 Feb 84 p 2

[Article: "Large Water Supply Project in Libya: A South Korean Firm Has Obtained a Contract Amounting to Over \$3 Billion"]

[Text] Frankfurt, 1 February. In Libya, the North African desert state, in early November 1983 one of the most important contracts ever signed in the domain of hydroeconomics was granted to a South Korean firm, the Dong Ah Construction Industrial Company. The contract amounting to \$3.3 billion involves the construction of water pipelines having a length of about 2,000 km. They will daily carry 4 million cubic meters of water northward from underground supplies in the Sahara to the coastal region along the Mediterranean. To tap the water reserves in the region of Tazirbu and Sarir water-well galleries with a total of 270 wells are being installed which will supply the regions of Bengasi and Sirte along the coast. To construct the water pipelines the South Korean firm will set up two plants in Sarir and Marsa al-Burayghah where the required concrete pipes having a diameter of 4 meters and a length of 7 meters are to be manufactured. The American firm of Price Brother Company has granted a corresponding production license, is the engineering consultant and is supplying the required equipment.

The completion of the Coastal Belt Water Authority Project in which the British daughter firm of the American company Brown and Root, Houston, Texas, is participating as consultant is to take place in two stages. In the first stage there will be construction of a 998-km water pipe from the Sarir water reservoir via Ajdabiya to Sirte. Then after that the water reservoir of Tazirbu is to be linked via Ajdabiya with Bengazi. The water is primarily to serve for artificial irrigation of a 1,200-square-kilometer agricultural area and for supplying the petrochemical complex of Ra's al-Unuf. By means of this project to be completed in 7 years it will be possible to substantially increase Libyan agricultural production and to make the country largely independent of imported foodstuffs.

Recently in Ajdabiya the largest Mediterranean desalination complex of the country was officially dedicated and put in operation. It encompasses in addition to the actual seawater desalination facility, together with three production blocs (with 10,000 cubic meters of distillate daily), a thermal power

plant (15 MW) which is linked with it, the drinking water purification station, a drinking water supply tank and additional auxiliary equipment. The complex which was completely constructed by Krupp Industrietechnik, Inc, also included the requisite infrastructure. The value of the contract for the German entrepreneur came to about 140 million DM. This project eliminates a substantial supply bottleneck in the Ajdabiya area both among industrial consumers and also among private domestic users.

A Japanese-Korean consortium consisting of the Korean Hyundai Engineering and Construction Company and the Japanese Fuji Electric Company in November 1982 received a contract valued at \$570 million for the complete construction of a thermal power plant with an associated seawater desalination facility; it is to involve three production units each having a daily capacity of 10,500 cubic meters of drinking water. The power plant contains six blocs having an installed output of 85 MW each. The complex which is to be ready for operation by the end of 1986 is intended for the state steel enterprise which is called the "General Corporation for Iron and Steel Projects" in Misratah where at the present time an important iron and steel complex is arising. The engineering consultation functions were taken over by the electric power and water project of a working partnership whose members are the British firm of Ewbank and Partners, Ltd, Brighton, and the French Societe Generale pour l'Industrie (SGI). The British firm of Northern Engineering Industries--International Combustion (NEI-ICL) has moreover obtained the contract for delivery and installation of the evaporators.

The Dutch firm of Esmil International has obtained from the Libyan Secretariat of Electricity the contract for the construction of a seawater desalination facility in Bumbah which will consist of three production units (each supplying 10,000 cubic meters daily). The contract also includes the seawater intake facility and the erection of an associated thermal power plant (11 MW). To assure the financing of the contract, which is valued at about 200 million gulden, a Dutch bank credit has recently been set up through the Algemene Bank Nederland to the amount of 140 million gulden. The subcontract for the actual construction work has not yet been assigned. The Agiplan Stock Company for Industrial Planning, Muelheim/Ruhr, has been made responsible for engineering consultation.

For the renewed expansion of the Bengazi-Nord Thermal Power Plant with its associated seawater desalination facility four bids have been submitted by international firms, among them Brown, Boveri and Company, AG (BBC), Mannheim. Thus far there has not been any assignment of the corresponding contract for the three blocs (120 MW each) and the additional seawater desalination facility (100,000 cubic meters per day). The Belgian firm of Electrobél Engineering International in Brussels has received the engineering consultation contract for this project.

Two further projects of the Libyan Secretariat for Electricity relate to installations in Zuwaytinah and Zar' which have been delayed because of a shortage of capital resulting from reduced profits in the oil industry. The Zuwaytinah project includes a thermal power plant having an installed output of 720 MW and also includes a seawater desalination facility (40,000 cubic meters

per day). The Melitta Project in Zuwarah is primarily intended to furnish electrical power to an aluminum metallurgical plant for which Zuwarah has been selected as a site. For the Melitta Project which encompasses a thermal power plant (720 MW) and a seawater desalination facility having four production units (10,000 cubic meters each daily) the investments are estimated to be about \$900 million. For both projects Zuwaytinah and Melitta the two British firms of Ewbank Preece and Rendel, Palmer and Tritton (RPT) have been brought in as engineering consultants.

In mid-1983 the Italian firm of Ansaldo Motori, Genoa, obtained in Libya a contract amounting to 4 billion lire for the delivery of 5,000 electropumps of the Aquafit-T type. The contract has been given out by the Libyan General Company for Farm Equipment. With this contract the Ansaldo Motori Company is continuing its previous cooperation with the Libyan state enterprises, a co-operation which began in 1978.

In 1981 the Philipp Holzmann Company in Frankfurt took over the work of expanding the water supply of Tripoli. For this project the company received a starting contract. Since that time the work has continued on schedule. The first contract has a value of \$121.6 million, the second a value of \$81.1 million. The contracts include in particular the construction of wells, pumping stations and water reservoirs. Planning and construction supervision have been assigned to the British firm of Pencol Engineering Consultants, London.

Additional contracts have been obtained recently by German engineering consultation firms. The German water engineering company, Lingen/Ems, has received responsibility for work connected with the drinking water supply of the cities al-Khums and Suq al-Khamis, the water supply for a farming complex and the cooling system of the chemical complex Abu Kammash. The Weidleplan Consulting Company, Stuttgart, has taken over the blueprint checking and the construction surveillance for the industrial wastewater treatment in Misurata. The Agiplan Company which has already been mentioned has also been brought into a water treatment project. Another enterprise which should be mentioned is the ACI Aqua Project Consult Engineering Company, Ltd, in Siegen, to which have been assigned tasks within projects in Fezzan, in a drainage project in the Wadi al-Shati and in the Taraghin project.

8008

CSO: 4620/29

## FISCAL REFORM ASSESSED IN TERMS OF 1983, 1984 BUDGETS

Tunis LE TEMPS in French 31 Jan, 1 Feb 84

[Article by Mohamed Mokdad Mastouri, doctor of laws, teacher of fiscal law at the Institute of High Commercial Studies (IAGC)]

[31 Jan 84 p 3]

[Text] Social justice, general compensation fund, fiscal reform--never have such subjects been so current and so much discussed.

The finance laws for the years 1983 and 1984 inspired this study by Mr Mohamed Mokdad Mastouri, teacher of fiscal law at the Institute of High Commercial Studies, in which he sets forth the main guidelines of the present fiscal policy.

For technical reasons, we are presenting this study in two parts. The first, published today, deals with the updating of the schedules for various taxes.

Like their precursors, the finance laws for 1983 and 1984 contributed their portion of new fiscal provisions or alterations of previous ones.

These provisions can be discussed under the following main headings:

- social justice
- encouragement of savings and investments
- modernization of the fiscal system and its adaptation to the economic and social development of the country
- tax simplification, harmonization and reduction and
- the battle against tax fraud.

Nothing or practically nothing in these headings mentions the primary purpose of taxation, which is expected to guarantee coverage of state expenditures, and which creates a drain on the citizens' resources which is always irritating, but without which, however, this state would lose all consistency. There is usually discretion on the part of the public authorities desirous of presenting their choices advantageously in a realm where there is little likelihood of popularity. There is also a reflection of a fiscal approach dear to

economists, who do not want to see taxation as anything other than a tool for economic direction and encouragement, the tool of a policy in this or that sector, with excessive neglect of its inherent purpose. Taxes are said to be everything except taxes. One is justified, moreover, in wondering in passing if it is not this approach which underlies many of the failures in the fiscal sector. But this is a subject which goes beyond our concerns, and one to which we will perhaps have an opportunity to return on another occasion. Be that as it may, if we concern ourselves with the style in which fiscal texts are presented, the finance laws for 1983 and 1984 come within the most perfect continuity. The terms used, such as social justice, for example, reveal on the other hand the stated desire of the present team to orient the fiscal policy of the country differently.

Does a simple reading of the laws allow one to assess directly whether the content measures up to this desire? Nothing is less certain, for in addition to the difficulty of understanding the scope of texts of a very technical nature, it would be well to undertake a study comparing these recent laws point by point with those which preceded them. Thus our intention will be simply to draw attention to certain characteristic traits rather rarely revealed and yet essential to an understanding of a fiscal policy, by reference to a certain number of measures selected among the most important, either due to their nature or their scope, with emphasis on the points which are the source of their basic interests.

#### I. Updating of the Schedules for Various Taxes

The rate schedule is traditionally the bravura passage in any draft finance law. It is made up of fixed elements, the revenue and rate "sections," which if they are not periodically amended, inevitably lead, as a result of monetary depreciation, to an insidious increase in tax pressure.

Overall tax pressure, that is to say the part of fiscal income as a whole, including income from monopolies and from oil operations, in relation to the gross domestic product at the market price, has developed as follows:

1961 .....	19.2%
1971 .....	20.0%
1976 .....	22.8%
1981 .....	26.6%

If to fiscal income the social contributions are added, the fiscal and para-fiscal pressure came to 30.4 percent in 1981, or in other words a rate comparable to the average for the OECD [Organization for Economic Cooperation and Development] (31.19 percent), and a rate substantially exceeding that of Japan (22.6 percent).

It is moreover this result which the public authorities have often sought since independence was won to obtain by avoiding the updating of this schedule, or by only doing so to an extent unequal to the monetary erosion, while at the same time proclaiming elsewhere that there would be "no new taxes next year."

But on the one hand, an equitable comparison should be made between the increase in fiscal pressure, as it resulted in the past from an inadequate updating of the schedule, and that which will result in 1983 and 1984 from an approximate updating of the schedule, accompanied by various reductions. On the other hand, whatever conclusions such comparison yields, homage should be paid to a demonstration of political courage which is rather unusual. Finally, along the same line of thinking, an examination will be made of the updating as it affects various abatements, limits or ceilings, reductions and increases in deductions, such as:

a. Updating the tax schedule for salaries and wages on the basis of the following figures:

Up to 600 dinars of taxable income .....	0%
From 601 to 2,500 dinars .....	5%
From 2,501 to 4,000 dinars .....	6.3%
From 4,001 to 6,000 dinars .....	7.6%
More than 6,000 dinars .....	8.9%

b. Updating deductions:

--For a married taxpayer, or in the event of the death of one of the spouses, for the surviving unmarried spouse with responsibility for one or more children (150,000 dinars).

--For the first four dependent children (90, 75, 60 and 45 dinars).

--For dependent children pursuing higher studies without scholarship aid and not yet 25 years of age as of 1 January of the tax year (2,000 dinars per child).

--For each dependent parent (within the limit of 5 percent of the net income subject to tax, with a maximum of 150 dinars per dependent parent).

--For life insurance (within the limit of 100 dinars per year, increased by 50 dinars for the spouse and 25 dinars for each of the first four children).

c. Updating of the schedule for the state personal contribution (CPE):

Individuals will be taxed on the basis of the volume of their average annual net resources and in accordance with the amended table below.

d. The exemption threshold for the tax on income:

Individuals whose annual income does not exceed the interoccupational guaranteed minimum wage are exempt.

e. Ceiling for deductions for professional expenses:

The cumulative amount of the normal deduction (10 percent) for professional costs and the supplementary deduction for certain categories of taxpayers is limited to 40 percent of the income subject to tax.

Taxable Income Portion (in dinars)			Rate for This Portion	Overall Income Tax Rate at the Upper Limit of the Spread
0	to	900 D	0 %	0 %
900,001	to	1.300 d	5 %	1,53 %
1.300,001	to	1.500 D	10 %	2,66 %
1.500,001	to	2.000 D	15 %	5,75 %
2.000,001	to	2.500 D	20 %	8,6 %
2.500,001	to	3.000 D	25 %	11,33 %
3.000,001	to	3.500 D	30 %	14 %
3.500,001	to	4.000 D	36 %	16,75 %
4.000,001	to	5.000 D	42 %	21,8 %
5.000,001	to	6.000 D	48 %	26,16 %
6.000,001	to	8.000 D	54 %	33,12 %
8.000,001	to	10.000* D	56 %	37,7 %
10.000,001	to	14.000 D	58 %	43,5 %
14.000,001	to	25.000 D	60 %	50,76 %
25.000,001	to	50.000 D	62 %	56,38 %
50.000,001	to	65.000 D	64 %	58,13 %
65.000,001	to	80.000 D	66 %	59,61 %
80.000,001	to	90.000 D	70 %	60,76 %
90.000,001	to	100.000 D	76 %	62,29 %
Above		100.000 D	80 %	—

It should be noted that for taxpayers benefitting from a supplementary deduction, the amount of the indemnity exemption (Article 51, Law 81-100 dated 31 December 1981) is a part of the income subject to the ITS and the CPE.

f. Updating of the F1 license tax (real system):

--For individual entities:

1. Ten percent for the portion of profit not exceeding 1,000 dinars.

2. The remaining profit is subject to rates of:

--20 percent for individuals engaging in craft activity;

--25 percent for individuals engaging in industrial, tourist or transport activity; and

--40 percent for individuals engaging in a commercial activity.

However, for a pharmacist, the tax rate is 25 percent for the portion of the profit included between 1,000 and 9,000 dinars.

The rates applicable to taxpayers engaging in a fishing activity or the equipping of fishing vessels are established at:

--6 percent for the portion of the profit not exceeding 1,000 dinars;

--15 percent for the balance.

For companies:

--44 percent for enterprises engaging in commercial activity;

--38 percent for enterprises engaging in an industrial, tourist or transport activity;

--20 percent for enterprises engaging in a craft activity; and

--15 percent for enterprises engaging in an agricultural activity.

The rates applicable to companies and cooperatives engaging in a fishing activity or equipping fishing vessels are established at:

--6 percent for the portion of the profit not exceeding 1,000 dinars; and

--15 percent for the balance.

f2. Standard charge system (raising of ceilings):

Taxpayers who are individual entities and are neither importers nor exporters are liable for a standard charge when their turnover total does not exceed:

--15,000 dinars, if their activity is subject to the tax on services rendered, with the exception of activities related to consumption on the premises;

--20,000 dinars for activities pertaining to consumption on the premises; and

--30,000 dinars if they are engaged in another activity, that is to say of a commercial, industrial or craft nature.

A system for the stabilization of the standard charge replaces the fixed sum.

g. Updating of the tax on real estate income:

The rate is increased from 19.5 percent to 25 percent for dividends, shares and directors' fees.

h. Updating of the tax on turnover:

Extension of the field of application of the tax on production, replacing the tax on services rendered.

i. Duty on transfers:

--Updating of the duty on transfer by death in accordance with the following table:

(in dinars)

Degree of kinship	Between 0,001 5.000,000 D	Between 5.000,0001 10.000,000 D	Between 10.000,000 15.000,000 D	Between 15.000,001 45.000,000 D	Between 45.000,001 90.000,000 D	More than 90.000,000 Dinars
In direct line and between spouses	6 %	8 %	10 %	13 %	18 %	25 %
Between brothers and sisters	20 %	25 %	30 %	36 %	42 %	50 %
Between uncles and aunts and nephews and nieces, great-uncles and great-aunts and grandnephews and grandnieces, and between first cousins	25 %	35 %	45 %	55 %	65 %	75 %
Between relatives beyond the fourth degree, and between unrelated persons	35 %	45 %	55 %	65 %	75 %	85 %

By derogation of the preceding provisions, and whatever the level of succession, the home constituting the main residence of the deceased is exempt from payment of this duty when the transfer is in the direct line or between spouses, provided that the heirs produce certification provided by the governor or the president of the commune to the effect that the premises involved were the main residence of the deceased.

--Establishing of transfer duties on building plots and tiered parking facilities.

j. Updating of the single tax on insurance:

This rate has been amended as shown in the following table:

Nature of the Contract	Rate
1. Risk insurance of all kinds for maritime or air navigation, except where risks for export goods included in No 4 below are concerned .....	5%
2. Fire insurance:	
a. Farm risks .....	8%
b. Risks of fire for goods involved in a commercial, industrial or tourist activity .....	12%
c. Other risks .....	24%

3. Life insurance and life annuity contracts ..... 3%
4. Risk insurance for export goods, including export  
credit insurance ..... Exempt
5. All other insurance ..... 10%

However, the annual premiums for the first 3 years for insurance contracts on life, capitalization or life annuities are exempt from the tax for which item No 3 provides.

k. Updating of the special liability tax:

Henceforth the dividends, shares and directors' fees are no longer subject to this tax.

[1 Feb 84 pp 2, 15]

[Text] Yesterday we published the first part of the study by Mohamed Mokdad Mastouri, who teaches fiscal law at the IHEC, on tax reform as seen in the finance laws for 1983 and 1984. Mr Mastouri draws attention in his study to the characteristic aspects of these laws, which he deems basic to an understanding of the fiscal policy.

The first portion, published yesterday, dealt with the updating of the schedules for the various taxes.

The second portion, which we are publishing today, discusses tax equality for women, tax advantages, the new formulae sought by the 1984 finance law, and the campaign against tax fraud.

## II. Married Women Reach Their Fiscal Majority

The measures designed to put married women on a footing of equality with their husbands in tax matters have gone beyond the elementary phase, which has to date required that married women show their net income on the declaration drafted and signed by the head of the family.

From now on, it is the very concept of the head of the family which is challenged. In fact, this idea will be abandoned beginning with the taxation of 1984 income, since both spouses will become the legal representatives of the fiscal household, without discrimination.

More generally, the standardization of the rights and duties of each of the spouses will have various consequences, not all of which are always favorable. An example is the subjection of all of the income of the married woman to the State Personal Contribution (CPE) instead of the half taxable under the old system.

Thus the new provisions approved by the Chamber of Deputies dictate two basic comments.

First of all, it is not without interest to realize that the text in question is the product of a policy of promoting women which must be credited to the present regime, in support of the women deputies who were the first to congratulate themselves on this important step, which was adopted unanimously and almost without discussion by the Chamber of Deputies. Let us as well hail the noble and unanimous willingness of the legislature and the executive branch to take yet another step toward equality between the two sexes.

Second comment: the concept of the "fiscal household," for its part, still seems a solid one. Despite the disappearance of joint liability for the spouses with regard to the State Personal Contribution (Article 9, Law 83-113 dated 30 December 1983), it can nonetheless be considered that the concept of fiscal household is reinforced rather than threatened by the disappearance of the concept of the head of the family, to the extent that reference to the fiscal household can henceforth be made on the basis of just one of the spouses.

It is obvious that the elimination of the concept of the fiscal household would lead to upsets of a completely different scope, as compared to the concept of the head of the family. But this is a subject which lies outside the boundaries of our present concern.

### III. Tax Advantages

A good finance law must include its portion of tax improvements, wherein one generally finds the mark of the majority of the basic economic and social policy choices of the moment.

The 1983 and 1984 finance laws are no exception.

#### a. Encouragement of the social sector:

Modest though they may be, the steps taken in this sector reflect the will to encourage social development, clearly evident in the direction taken by the public authorities for some time now.

In order to encourage young pharmacists and members of the medical and paramedical professions to establish themselves in the neglected regions, within the context of Law 81-56 dated 23 June 1981, the finance law for 1983 provided for a rate reduction of 50 percent in their professional taxes, for 4, 5 and 6 years, respectively, benefitting those establishing themselves in zones 3, 4 or 5, according to the above-mentioned law, after 1 January 1983.

Pharmacists and members of the medical and paramedical professions already established in the benefit zones prior to 1 January 1983 may benefit from this reduction.

In this case, the period of advantage is limited to the balance of the period elapsed since their establishment, in terms of periods of 4, 5 or 6 years.

This measure is doubtless of interest to the numerous regions which have not yet experienced the same social development phenomenon as the large concentrations. They are also of a more symbolic than practical nature for the public authorities, which are keenly aware that the social advancement of these regions cannot be brought about by granting tax advantages, but require other more drastic means.

b. Establishment of a tax credit:

For individual entities and associations of persons:

The tax on income from real estate withheld from dividends by distribution companies will henceforth constitute a tax credit on the CPE for income during the year of the receipt of the income from the investment.

However, the amount of the deductible credit may not exceed 25 percent of the income subject to the CPE.

In the establishment of the basis subject to the CPE, this tax credit is regarded as an income supplement, that is to say it is the gross income from the investment portfolio which is taken into account to establish the CPE.

For joint stock companies and the like:

The IRVM paid by associations of capital or any other similar enterprises on the distribution of profits they have made is taxable under the IRVM, withheld at the source by these bodies at the time of the distribution of profits they make.

Therefore enterprises of this sort will continue as in the past to pay the IRVM on the profits they distribute to their members, but they will deduct the IRVM imposed on the dividends they have received.

In this case, the deductible IRVM represents a taxable distribution supplement.

c. Encouragement of savings:

For project savings:

The creation of the project savings account represents an important savings incentive measure included in the finance law for 1983.

This new provision, designed to encourage savings invested in industrial, agricultural or craft projects, serves in fact to supplement the legislation providing for incentives for direct investments in the form of actions undertaken during the year the income or profits are received, but providing no advantage for continuous savings destined for productive investment.

Project savings take the form of a deduction from income subject to the CPE. In addition, this deduction is subject to the blockage of the sums saved until the date approval is granted for the project. Any release of such blocks for

a reason other than implementation of a project will result in forfeiture of the advantage initially granted and payment of the taxes due.

In this connection, the taxpayer must open a project savings account in an approved financial institution.

The taxpayer must attach to his single income declaration (DUR) a certification of blockage issued by the establishment at which the sums were deposited.

The tax advantage, for its part, is found in the deduction with a ceiling of 30 percent from the income subject to the CPE, with a maximum of 5,000 dinars.

For investment savings:

While the tax advantage allowed for project savings pertains only to the individual entities liable for the CPE, the benefit from the tax measure pertaining to investment savings is granted both to individual and legal entities depositing sums destined for the financing of capital shares in approved companies in "investment savings" accounts, within the framework of Laws 62-75 dated 31 December 1962, 81-56 dated 23 June 1981, and 82-67 dated 6 August 1982.

The tax advantage lies in the exemption of a part of the taxable income, not exceeding 50 percent of the taxable profit, for legal entities, or 30 percent of the income for individual entities.

The enjoyment of this advantage is subject to a double condition:

1. Blockage of the sums in a financial institution until a share is acquired. Any release of these sums for a reason other than acquisition of a share in an approved project will result in forfeiture of the advantage and payment of the taxes normally due.

The certification of blockage issued by the financial institution at which the sums were deposited must be attached to the DUR.

2. Stocks and shares acquired by means of sums deposited in "investment savings" accounts must be deposited and blocked in the same financial institution for a period of 5 years from the date of their acquisition.

Release or surrender of these stocks and shares prior to the expiration of this minimal five-year period will result in the payment of the taxes due.

In the realm of savings incentives, the novelty lies mainly in the fact that only truly stable savings are favored.

Respect for this condition presumes a rather complex supervisory system, but inasmuch as this supervision falls almost entirely to the financial institutions maintaining the deposits, the tax system should not experience too much difficulty in control.

The new policy for encouraging savings reveals an obvious desire on the part of the public authorities to see all Tunisians participate in the economic development of the country, but with definite priority for savings coming from individuals with substantial revenue enabling them to invest over the long term.

At the very most, a certain lack of imagination in the search for truly new formulae might be regretted.

#### d. Incentives for industrial integration:

The same comments hold true for the tax measures to promote industrial integration, falling within the stated goals of the economic and social development of the country. However, one can glimpse therein a more definite effort of imagination than is seen in the realm of savings incentives.

As is known, Law 81-56 dated 23 June 1981 established a fiscal arsenal favoring investments in the manufacturing industries and industrial decentralization.

It appears that this provision proved inadequately encouraging. The purpose of Article 37 of the 1984 finance law is to establish a new provision which will prove substantially more attractive.

The new provision no longer involves a direct reduction in the license tax or CPE, but takes the form of an exemption, suspension or reduction of customs duties or the tax on turnover due on raw materials, products and articles destined for the manufacture of equipment goods, under the same fiscal system applicable to similar equipment goods imported in finished condition, from which approved industrial enterprises benefit in accordance with the legislation in effect.

#### 3. Encouragement of foreign exchange drainage:

The exemption granted operations carried out in foreign exchange affects both direct and indirect taxes. In effect:

Buildings, apartments, floors and portions of buildings separated from collective buildings for tourist use are exempt from registration duties during their first transfer subject to payment, provided:

1. That the assets surrendered are a part of tourist projects; and
2. That payment of the sales price is made in convertible foreign exchange.

The following are exempt from the tax on services rendered:

1. Deposits in convertible foreign exchange and convertible dinars in deposit banks, development banks and financial and banking establishments dealing essentially with nonresidents.
2. Deposits and investments in convertible foreign exchange and convertible dinars by financial and banking establishments dealing mainly with nonresidents, in other banks.

3. Investments of funds of convertible foreign exchange origin by development banks in the Central Bank of Tunisia.

The following are exempt from the tax on income from debts:

1. Deposits in convertible foreign exchange and convertible dinars in deposit banks, development banks and financial and banking establishments dealing essentially with nonresidents.

2. Funds of convertible foreign exchange origin invested by development banks with the Central Bank of Tunisia.

#### IV. New Income Obtained by the 1984 Finance Law

This category is as traditional as the preceding ones in finance laws.

This new income does not come solely from new taxes, but often from the updating of taxes and fixed duties, or the elimination of certain exemptions.

This is the case where the finance law for 1984 is concerned. We will discuss some of these new provisions the purpose of which, admitted or not, is to obtain budget gains.

##### a. Levying of certain taxes:

In this first category, we note among other increases, that in the single tax on insurance.

b. Establishment of registration duties on the purchase of building plots and tiered parking premises.

Purchases of land with a view to the construction of tiered parking facilities are subject to a 3 percent registration duty, provided that the purchase contract contains the statement that the land was purchased with a view to the construction of tiered parking.

Purchases of land with a view to the construction of individual buildings for housing use are subject to the progressive duties established below, on the basis of the areas defined below, provided that the purchase contract contains a statement that the land was purchased with a view to the construction of buildings for housing use.

Up to 120 square meters: 1 percent

From 120,001 square meters to 300 square meters: 2 percent

From 3,001 square meters to 600 square meters: 3 percent.

However, purchases of land with a view to the construction of collective buildings for housing use are subject to the reduced rate of three percent without limitation as to area.

c. Establishment of a single highway transport compensation tax.

1. For automotive vehicles for the mass public and private highway transportation of persons with more than nine seats, including that of the driver.
2. For automotive vehicles and vehicles towed by an automotive vehicle for the highway transportation of goods for oneself or for another party, with a carrying capacity in excess of 300 kilometers.
3. For rental vehicles.
4. For taxis.

The monthly rates for this tax are established in accordance with the following schedule.

a. Transportation of persons:

1. Public and private mass highway transportation vehicles for carrying people with more than 9 seats, including that of the driver, 4 dinars per seat available.

This sum is reduced by 60 percent for vehicles used exclusively for tourist and urban transportation.

2. Rental vehicles:

--Area of travel limited to one governorate: 1 dinar per seat available.

--Area of travel exceeding the limits of one governorate, but not including the entire territory of the Republic of Tunisia: 5 dinars per seat available.

--Area of travel including the entire territory of the republic: 10 dinars per seat available.

3. Taxis:

--Ordinary taxis: 5 dinars per vehicle, for taxis with an area of travel covering the governorates of Tunis, Ariana and Ben Arous 3 dinars for other ordinary taxis, per vehicle.

--Taxis for international tourism, with limited travel area: 20 dinars per vehicle.

--Taxis for international tourism, traveling throughout the territory of the republic of Tunisia: 50 dinars per vehicle.

b. Goods transport:

1. Highway vehicles for the transportation of goods for third parties: 6 dinars per ton of carrying capacity, calculated to one-tenth.
2. Highway vehicles for the transportation of goods on one's own account: 9 dinars per ton of carrying capacity, calculated to one-tenth.

A reduction of 60 percent on the amount of the tax applicable to highway transportation on one's own account is allowed for vehicles used for the highway transportation of goods, including trailers pulled by farm tractors, if the carrying capacity is equal to or less than 5 tons and the vehicles belong to farmers. If said vehicles do not belong to farmers, the reduction will be 25 percent.

Whatever the case, one is justified in asking whether, apart from the useful budget gain for the public authorities during periods of difficulty, this new development is fully justified, inasmuch as it affects a sector ill-adapted to the economic development of the country.

#### V. The Campaign Against Tax Fraud

The finance law for 1983 included a substantial number of measures designed to prevent and combat tax fraud, as well as to increase the control mechanisms. However, these provisions, although laudable, were abrogated by Law 83-81 dated 30 July 1983 supplementing the finance law for the 1982 fiscal year. Since then the finance law for 1984 has revealed a certain hiatus in this sector.

This relative suspension, which can also be seen in the realm of measures to combat fraud on the legislative level, in no way means that it has been dropped from the agenda. It suffices to refer to the goals of the fiscal reform for which the Sixth Plan provides to become convinced of this.

#### Conclusion

In these paragraphs, we have attempted to present as clearly and objectively as possible a significant sampling of certain provisions in the fiscal reform contained in the finance laws for 1983 and 1984, and thus to contribute to an understanding of the guiding principles of the fiscal policy.

Two trends can be detected as a result of this summary study:

--Pursuit and development of the policy of encouraging investments, utilizing various mechanisms (savings, industrial integration, foreign exchange); and

--Lack of reinforcement of means of acquiring a better understanding of taxable assets, with a view to greater social justice, the declared goal of the public authorities.

The second of these two main aspects of the current fiscal policy seems essential to us within the framework of real fiscal reform.

In fact, a country which wants to establish equitable and productive taxation cannot allow so many grey areas to continue to exist in the concept of income. Thus it would be desirable for each citizen to become aware that in fiscal matters, as in other sectors, there is no social justice except that based on truth.

We hope that the fiscal sector will cease to be, as it has been too often, a delicate and thorny subject never discussed, even in more or less enlightened circles, except with the reticence reserved for dark police matters or shameful diseases.

# HELP FOR LOW-INCOME FAMILIES

Manama GULF DAILY NEWS in English 21 Feb 84 p 5

[Article by Soman Baby]

[Text]

**MORE** than 400 Bahraini families have benefitted from a scheme run by the Directorate of Social Affairs over the last five years.

The project was designed to improve the living conditions of low-income families and to promote local handicrafts.

The plan "Productive Family Scheme" aims at helping 50 families every year.

Low income families whose members are particularly skilful in certain handicrafts are being attracted to the project to make marketable products. Others will be helped through training.

Essentially a local project which has specific economic objectives, it also helps provide school-girl drop-outs with suitable occupations.

## Duties

According to a spokesman at the Directorate of Social Affairs, the project will, in the long run, help certain families dependent on government welfare to become independent.

Social workers employed at Labour and So-

cial Affairs Ministry community centres will be responsible for the project and their duties will include the following:

- To conduct the necessary research work covering prospective recipients; with priority to be afforded to families who receive government welfare payments.
- Final selection of recipient families each year.
- To assess the progress of the project, identify problems encountered and propose means for overcoming them.
- To supply retail outlets with marketable products
- To provide the necessary tools, equipment and raw materials required by recipient families.

COMMUNIST PARTY FACTION HOLDS FOUNDING CONFERENCE

Nicosia AL-NASHRAH in Arabic No 1, 31 Oct 83 pp 9-11

[Article: "The Communist Labor Organization of Iraq. After the Split Within the Communist Party: A new Name in Order to Avoid Confusion!"]

[Text] After its departure from the National Front in Iraq, the Iraqi Communist Party experienced internal disputes. These disputes took on a magnitude whose seriousness could not be lightly dismissed. They developed and reached the point of a split within the party, which was embodied in the announcement of the formation of a new organization bearing the name "The Communist Labor Organization in Iraq."

AL-NASHRAH has chosen to publish in this issue the founding declaration of the organization, merely because of the importance enjoyed by the Iraqi Communist Party in view of its unique position among the communist parties in the region, since every development it undergoes has a great affect on the opposition movement in Iraq and the Arab world.

AL-NASHRAH welcomes every clarification and serious point of view submitted after its publication of this statement-document. It intends to publish in a future issue an interview with Dr Yusuf Hamdan, the assistant secretary general of the secessionist organization.

Founding Statement

At the beginning of January 1983, a meeting was held that included representatives from a group of communist cadres and some representatives of the grass-roots organization in our Iraqi Communist Party. The purpose of the meeting was to study the worsening crisis in the party and produce decisions based on principle, which would be announced to the masses of our Iraqi people and the party's cadres and members, who are considered to be the first and last authority.

The meeting dealt first and foremost with the dangers faced by the communist movement in Iraq and the serious sliding in the policy formulated by the rightist, opportunistic group of 'Aziz Zaki, which is currently leftist leaning. The meeting dealt with the group's hegemony over the leadership of the party and the fact that it makes political decisions alone, in isolation from the party's cadres and base and the Leninist principles of organization.

The communist cadres took this step after deliberations lasting several years and beginning in 1977, when it began to seem likely that the rightist, eliminationist faction, which called for the dissolution of the party, would gain control. This tendency found expression in the dissolution of the mass democratic and trade organizations, the liquidation of the party organizations in the army, the signing of a document that would allow from the formal aspect the destruction of everyone working in the armed forces, and the abandonment of the Kurdish national movement, which was accused of working as an agent and betraying the interests of the country. In addition, Iraqi, Arab, and international public opinion, especially the world communist movement, was incited against the Kurdish movement. The party and its organizations, especially those in the countryside, were mobilized and transformed into an intelligence apparatus used to gather information about Kurdish nationalists. The data were placed at the disposal of the leadership of the Iraqi intelligence agencies.

These and other positions are known very well by the party's cadres. They are proven by official documents issued by the leadership bodies of the party. This is not to mention modes of behavior contradicting moral principles that were embodied in the techniques of defamation followed by this leadership in attacking the factions of the national movement. A blatant example of this kind of behavior is offered by the defamation of the comrades who hold to principle by the organization of the central leadership of the communist party, etc. In addition, this leadership violated the rules governing relations between the Arab nationalist communist parties. In addition, it collected information about them and presented it to the agencies of the supreme authorities in Iraq.

As changes occurred in official Iraqi policy, especially in the form of worse terrorism against communist organizations, with the goal of liquidating the party by using the Ba'th's knowledge of the rightist mentality of the leadership, other possibilities emerged. The leadership considered fleeing abroad and subsisting on its bragging about its loyalty to internationalism and the Soviet Union. In reality, the leadership was dependent on internationalism and the Soviet Union itself. The policy of the party was shifted in leftist direction in order to justify the leadership's failures and deflect the resentment of the party's cadres and members. Events have confirmed our expectations. The leadership turned the party in a rightist, extremist direction. This was reflected in ringing slogans like "Bring down the authorities," "armed struggle," and "the creation of a state of workers and peasants," as well as in the forced deviation and distortion of the role of the vanguard, which is the party. The vanguard was made into a substitute for the working class and the popular masses. Political, organizational, and intellectual work was condensed into a mechanical process

by pushing the party alone into the armed struggle, while national fronts were invented--abroad--that quickly dissolved. Briefly, the present orientation of the leadership represents the liquidation of the party in reverse, as Leninism would express it.

The party's current policy reflects the vacillation of the rightist, opportunistic leadership. This has distorted fundamental concepts of the party, especially those having to do with the modality of the determination of the concrete methods of struggle, the matter of national and class alliances, and matters connected with estimating the situation of the popular leadership for the sake of social and democratic progress. The leadership expounds concepts and then gives them a trite meaning. The cause of this is its enormous ignorance. The leadership expounds the tactic of armed struggle and depends on pulling the party's members into crucial and Don Quixote battles. In a fashion unprecedented in the history of our party, it separates bringing down the regime and armed struggle, on the one hand, and the political work needed to win the support of the other sectors of the people, on the other. It underestimates the importance of political consciousness raising in the gradual education and training of the masses, just as it makes light of the role of other nationalist parties, classes, and groups in a society like ours, which is characterized by a multiplicity of economic and social models, and so by a multiplicity of political currents. Our experience in Iraq shows that time after time the achievement of great goals--like social progress and the creation of a progressive, democratic regime--necessitates gathering together all the sectors referred to above.

The rightist, opportunistic, currently leftist learning current is practically shaking the party's nationalist positions and pushing it toward temporary, self-interested, sectarian positions. This is finding concrete expression in the short-term review of the party's position on religious, sectarian movements. These deviations and errors were crowned by the position taken on Iraqi-Iranian relations in general and the Iran-Iraq war in particular. The May 1975 agreement, which renounced Iraq's rights and national sovereignty over its territory and territorial waters, was unfair, no matter what the justifications for signing it. At the time, the leadership of the Communist Party covered up the real nature of the agreement, which it supported both officially and practically.

The cancellation of this unfair agreement was a legitimate act in harmony with international law and usage. It was consistent with the higher interests of the country. However, one must distinguish clearly between Iraq's right to cancel the agreement and its involvement in the war. Experience has shown that the war, now in the first half of its 3rd year, has deepened the crisis in the economic and social situation and caused horrific destruction on both the human and economic levels. It has created the objective and subjective circumstances needed to pose the danger of the loss of national independence and the progressive gains achieved by the struggle of our people, working with their various progressive forces. Moreover, the war has been exploited by imperialism, Zionism, and the reactionary Arab regimes, since it has enabled all these forces to strengthen America's military presence in the region, while paralyzing the role of Iraq and its

army in the confrontation with imperialist, Zionist aggression in Lebanon. It has paralyzed the Palestinian resistance movement and weakened the chance of the Arab national liberation movement. Consequently, it has enabled Arab reaction to seize the initiative in the political arena.

The clash with a triumphant national revolution like the Iranian revolution, which has swept away the most important citadels of imperialism and reaction in the region, was a possibility. Despite the fact that the revolution has refrained from that blessed task, and no matter what one might think about its ideology, its regressive mentality in power, its programs for dealing with its country's internal situation, and its diplomacy on the international level, especially the way it has clung to the same goals and expansionist ambitions in the Arab region in general and Iraq in particular that were espoused by the fallen regime of the shah, and despite the disappointed hopes of the Arab masses that the Iranian revolution would support the Arab liberation movement, especially in its struggle against imperialism and Zionism, not to mention the fact that the positions of the regressive, Khomeyni-ist leadership agree objectively with the strategy of imperialism and Zionism against the Arab national liberation movement, the clash should have been avoided. It is wasteful and still causes awful results in all areas. That was the beginning of the war, but the course of the war developed slowly in favor of Iraq, from the political and ideological point of view. Iran has now become the aggressor, while Iraq is in the position of defending its borders and national sovereignty in accordance with international law. Iran's position conflicts with the principles, laws, and norms that govern the relations among nations and peoples. We are thinking in particular of the Khomeyni-ist leadership's rejection of any call for negotiations that does not include the removal of the ruling regime in Iraq. In addition, Iran is calling for the creation of what is called the "government of the Imam" in Iraq. It has insolently violated the internationally recognized borders of the Iraqi republic, thereby creating a dangerous precedent about which one should not be silent. The issue of bringing down or supporting the regime, no matter how many views on it there are, is a purely Iraqi, nationalist question. It is the concern of the people of Iraq, their parties, and their national movement. The leadership of Iran has nothing to do with it. From the communist point of view, it suffices to say that such proposals contain the error of exporting revolution, in accordance with the backward, religious, Iranian model. It is not at all logical. Moreover, it amounts to a great national betrayal that sets up Khomeyni's foreign leadership as an alternative to Iraq's national movement. As is well known, the conditions of the process of substituting one social, economic, and political system for another are set forth better by Marxism-Leninism than by any other theory.

The leadership of our Iraqi Communist Party is coordinating its political and military positions and exchanging information concerning the economic situation in Iraq with Iran and other known countries. It is keeping the Iraqi army busy and striking it from behind by stirring up armed struggle. In the field of information, it is misleading Iraqi, Arab, and international public opinion, especially the communist parties. Its position is a logical extension of the unprincipled positions taken by the leadership on all national and pan-Arab issues. This has distorted the party's nationalist character and

harmed both its role among the popular masses and its standing in the Iraqi national movement, the Arab national movement, and the world communist movement.

As we have learned from Marxism-Leninism, the correct policy in a society like Iraqi society consists of linking nationalist and pan-Arab positions, on the one hand, with class and internationalist positions on the other. The opportunistic group is trying to copy the Leninist experience embodied in his position on the First World War and apply it to the Iran-Iraq War in a manner that abuses the essence of Leninist tactics and amounts to a mechanical transfer and a mockery of Marxism-Leninism, given the fundamental difference in the temporal and spatial circumstances and the difference in the economic, social, and political systems. Indeed, the expression of the class and internationalist position in the current circumstances and with regard to the issue of the Iran-Iraq War in particular ought to derive directly from the issue of the struggle against imperialism, Zionism, and the danger of the loss of Iraq's national sovereignty. This is not merely consistent with the economic, social, and political circumstances, it is in harmony with the correct and principled premises of the party's policy regarding the national question, which can be expressed by the phrase: "I was a nationalist before I was a communist." In this sense, there is a correspondence between nationalism and pan-Arabism, on the one hand, and the class approach and internationalism, on the other. This embodies the principled nature of sticking to the internationalist line and serves both the short-term and the long-term goals of the party and the nation. Aside from belonging to opportunistic leaders, a political line such as this is inconsistent with the principles of Marxism-Leninism and their application to the real, concrete, social and economic situation, in addition to being inconsistent with the documents of the international communist movement, such as the 1957 statement and the documents of the two meetings held in Moscow in 1960 and 1969 of the world communist worker parties. Therefore, the political line followed by the currently leftist leaning, opportunistic, rightist leadership has not enjoyed the support of many factions in the world communist movement, especially the Soviet Communist Party and the other communist parties in the socialist countries, as well as many Arab communist parties.

O popular masses of Iraq,

O comrades in the grass-roots organizations of our Iraqi Communist Party,

In this short communique, we do not intend to deal with all the manifestations of the crisis of the Iraqi Communist Party. Nor shall we lay bare the long-term factors and roots of the crisis in a detailed fashion, since we shall return to them in a subsequent document. However, it is important to remind you that the deviations referred to above are the mentality and methods of the leaders, since their situation today does not differ from their repeated deviations in the past in the area of thought and policy. The one is a reflection of the other, and this is consistent with the nature of things in the areas of organization and the party's internal life, as well as the methods of engaging in internal conflict.

The most important causes of the party's crisis lie in the failure to extirpate the roots of the rightist, leftist leaning deviations. By that, we mean our failure to engage in bold political and intellectual self-criticism, which does not merely bring about deep change in the party's programs and its basic ways of acting and thinking, but goes beyond that to take in fundamental organizational measures. First and foremost, such measures include the structure of the leadership, a re-examination of the ranking of the cadres that takes into account the pan-Arab situation, the uprooting of the spirit of individualism and tutelage over the party, the return of Leninist legitimacy to the party's internal life, work according to the bylaws and and respect for its articles.

As a result of the problems described above, the party has lost its nationalist and pan-Arab character. Moreover, its internationalist positions have been weakened and it has been unable to keep pace with the development of events and the political situation. It has been paralyzed and incapable of affecting the course of social progress and development. In addition, its slogans and decisions have not been practically applied because of their incongruence with the real objective and subjective situation in Iraq.

Indeed, the big questions being asked by the members and masses of the party are where we shall begin to solve the crisis of the Iraqi communist movement and what correct, practical steps can be taken to move along the proper road.

Time after time, historical experience in Iraq has shown that the traditional methods of internal party life are incapable of solving the party's deep-rooted crisis. Some honorable cadres are depending on the so-called Fourth Party Conference, which is being promoted by the guilty, opportunistic leadership. Even if it is held, no hope exists that it will solve the party's crisis. It will produce no decisive, principled treatments without the participation of cadres known for the principled, bold stands they have taken in diagnosing the illnesses of the party and the deviations of the party's leadership. Thus, one can say that all possibilities have been exhausted and all doors have been shut in the face of the noble cadres with regard to participating effectively in the solution of the party's internal crisis. By using various unprincipled means that violated the bylaws of the party, the leadership has been able to put many of these cadres out of the way. It has done so both by removing them and brushing them aside from the centers of command and by freezing them, not to mention its use of accusations and slander on a large scale. Therefore, it amounts to naivete and oversimplification to imagine that this crisis can be solved from the inside or by traditional means. This is a matter requiring patience, a continuous, death-defying struggle, and the invention of new, principled, suitable methods for removing the opportunistic leadership and moving the Iraqi communist movement along the right road. On the basis of what has been presented and stipulated, we call for the following:

First: the formation of a new communist organization to be called the Communist Labor Organization in Iraq. This nomenclature takes into account the experiences of the past and is intended to avoid any arrogation of the name of the Iraqi Communist Party, which is controlled in an illegitimate

fashion by the current leadership. In this way, we can avoid inheriting the errors of the leadership and bearing the heavy burden of its past, which is weighed down by deviations.

Second: We call for working with principled means, a strategic point of view, and a spirit of zeal, so that honorable party members and communist cadres will attach themselves to the new organization. This requires the cadres not exposed by the leadership to work on the inside now in order to influence the situation of the party and raise the consciousness of all party cadres and members in the proper manner that should be followed by the communist movement in Iraq.

Third: Conflict and democratic-ideological, intellectual dialogue must be used in the current stage as a basic tool for building the structure of the new organization. This can be done by preparing the necessary basic documents, especially the organization's program and bylaws and those documents having to do with its general political line and the nature of the tasks currently facing the country.

Fourth: We must quickly publish the central newspaper speaking in the name of the organization, in light of the decisions made in this regard at this meeting.

Fifth: Gradually, we must transform our support inside the country into constantly active bodies, while leagues of cadres and members are organized abroad.

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## NEW BAGHDAD WATER SYSTEM DISCUSSED

Baghdad AL-JUMHURIYAH in Arabic 11 Dec 83 p 4

[Article by Mu'ayyid 'Abd-al-Zahrah and Sana' al-Naqqash: "Modern, Advanced Water Networks for Our Beautiful Capital"]

[Text] Comrade Samir Muhammad 'Abd-al-Wahhab, a member of the country's leadership and the official in charge of the capital secretariat, inaugurates the new Baghdad water system today. The system is one of the huge projects that have been carried out by the capital secretariat during the war. These projects are characterized by their technical importance, their capacity, the amount of work and effort that has gone into building them, and the advanced, modern technology employed in them. AL-JUMHURIYAH offers the following investigation of this project:

For the sake of beautiful, glorious Baghdad, and in order to provide better, more advanced services that match the spirit of the age and keep up with the great developmental expansion of this active city, with its concrete jungles, rich gardens, lively streets, giant bridges, and sprawling residential areas, the capital secretariat is in a constant state of emergency and mobilization. It is fighting the war on the projects front, where it is in a race with time. Since the secretariat's projects are so many, it is difficult to number and count them. However, the most prominent ones currently being executed are the drinking water projects and the replacement of the water pipe network in some areas.

What are the details of this huge project, and how much of its has been implemented?

In order to treat the facts fairly, let us say first of all that Baghdad is not complaining of thirst. Whenever it has known thirst, the good Tigris has quenched it. However, Baghdad does not always get enough water to meet its needs and those of its people. The pipes in its water network are old, and the maps of the system are lost. No one knows the locations and pathways of its locks.

Our capital has known the taste of pure water, along with some kinds of mud, since networks of pipes were constructed in the 1920's. The city's water system was set up between 1924 and the present. All of us know that the city

is no longer as it once was. Its geographical and district borders have changed, as have its population and the nature of its construction. Construction has marched forward, streets have been laid out, houses have been built in clusters, structures have been raised, quarters have been razed and new ones have been built. Indeed, they have bred like cities within the city. The city's population has risen, as has the number of people visiting it and coming to it. While all this happened, the population's need for water rose and its uses for water grew more diverse. In the past, it was enough to have one faucet in each house. These days, the situation is completely different. Houses now contain networks of faucets. Some have as many as 10, if not more. This definitely has an effect on Baghdad's store of pure water. It may effect the city's water system, too, which is experiencing hardening of the arteries, dilapidation, and wear because of old age. It may have been worn out some time ago! Every time another meter of construction goes up- we know it must be provided with services. This expansion has been met by some services, but they amount to nothing more than sedative tablets for temporary relief, since the methods usually used to provide water are executed at the expense of other regions. This has caused people to complain. What is the solution, and how can we find an alternative? This question has often been put on the shelf and filed away, and it has not found an answer, because neglect was the master of the situation before the revolution, while planning was improvisational and lacked coordination. The technicians at the Water Department used to say that the location of the system map was unknown until further notice, while the secret of its locks was transcendental knowledge. Others said that Mrs Beal probably took it with her. The system is old. Therefore, the pressure has been constant and breaks have been numerous. "This has created an even greater uproar and increased the difficulty of our work," they said. A third group, composed of sons of the revolution and children of its path, said quite objectively that the reservoirs and the old system could not be overhauled or treated with improvisational methods. At any rate, it could not meet the need in the face of the expansion of the capital and its high population density. Therefore, the action taken had to be comprehensive, integrated, long-range, and capable of taking into account the present and the future. The matter was the subject of studies and consultations. International experts in the field of water systems said the project could not be done, since the world had never witnessed an experiment of this type, with the capital's entire water system being replaced by a new one. Nevertheless, after conducting elaborate studies, the capital secretariat went forward and achieved what it wanted. How did it do that? What was the nature of these projects? What level have services reached? What is the role of the capital secretariat and the Water Department? Most important of all: what is Baghdad's water reserve? These and many other questions were the subject of our tour and the keys of our conversation with the parties responsible for the projects.

#### Providing Water and the Capital's Reserve

Every city has a reservoir that supplies its inhabitants. What is Baghdad's reserve? What is the job of the department? The general director of the Water Department, Dr 'Adnan Jabir, began our conversation by saying: "The task of our department is to provide drinking water in quantities and kinds

that meet international specifications. In addition, we provide untreated water for watering the green areas within the boundaries of the capital district. That is, we carry out water purification and transportation network projects and provide a reserve. As for Baghdad's actual reserve, it amounts to no more than 20,000 cubic meters. The water is stored in elevated tanks with a limited capacity of no more than 4500 cubic meters. Baghdad's needs reach 25,000 cubic meters. Thus, the old tanks did not meet the need. It was necessary to cover the difference between the aforementioned figure and the capital's maximum daily consumption. Therefore, we turned to ground reservoirs. In 1979, we actually constructed a number of them. These reservoirs get their pure water from the purification centers and pump it via the pumping stations to the network."

### Water...When It Is Our Adversary!

But water is often our enemy. It refuses to stay for an entire week. What are the reasons?

The man laughed and said, "We are the ones who make peace. However, the fact is that water supplies are interrupted because a lot of breaks occur in the few remaining areas where the old network has not been renewed. For example, the modern purification centers work 24 hours a day. Their operation stops only in very rare cases, such as when the electricity is cut off. Therefore, we have moved to install reserve generators to compensate when the current is interrupted. In such a case, less water reaches some areas. There is also a commission in the capital secretariat. It is chaired by the director of the capital secretariat. It was created to coordinate the activities of the service institutions operating in the capital, such as the electricity department, the sewer department, and the telephone department, in order to integrate their efforts and prevent obstacles that could often cause breaks to occur. There is an important point I would like to refer to in this regard. It is that replacing the water distribution system operating currently in a certain area means that the flow of water to that area will be cut off until the work is finished. This could last a day or two. Generally, we announce a job ahead of time, so that people can store up water and take what they need. Thus, we ask our brother citizens to be patient and cooperate with us until work on the projects is finished. The projects were basically undertaken to serve them."

### Baghdad and Its Ambitious Plan

We learned that the work is proceeding according to a large plan for providing Baghdad's drinking water until the year 2000. We asked Mr Fakhri al-Zubaydi, an expert and a member of the Supreme Committee for Beautifying Baghdad, if this were possible. He answered, "Yes. Some nations measure their civilization by the progress achieved in the level of services they offer their people. Thus, Iraq can be proud of the amazing leaps forward it has achieved in this area during the years in which the struggling leader, Saddam Husayn, has occupied the first position in the leadership of the party and the state. This is especially true of the most important vital utility in the capital of Baghdad, which is the provision of drinking water to

the citizens. In 1980, the capital secretariat drew up an ambitious, long-range plan for meeting the needs of the citizens living in noble Baghdad for drinking water until the year 2000. It has truly carried out its plan. It did so by executing two giant projects of which Iraq is proud: the al-Karkh water project and the project to modernize the Baghdad water system.

#### The al-Karkh Water Project

What comprises the al-Karkh water project?

He said, "To put it briefly, it consists of building a drinking water purification center with a planned capacity of 1.3 million cubic meters a day. This quantity will be enough to meet the needs of 2 million citizens in al-Karkh, with each person getting an average of half a cubic meter daily. This is the consumption level set by the World Health Organization and the United Nations for the Middle East region. This project is considered one of the biggest water purification projects in the Middle East, from a technical point of view. Water will be pumped out of it through two long, large transport pipes to large-capacity ground reservoirs. From there, it will be pumped to an integrated transport network next to al-Karkh. The project is 65 percent complete, and work on it will end in 1986. It will satisfy the needs of the al-Karkh region until the year 2000."

How does it differ from other projects?

Mr Fakhri al-Zubaydi responded by saying that the project had the following characteristics:

First, it uses ground reservoirs for the first time in the country. Second, it uses ductile pipes to cover a very long distance across a large stretch of varying territory. Third, its water purification capacity reaches 20,000 parts per million, while the water purification capacity of current projects does not exceed 4,000 parts per million.

#### Something New in Terms of Work and Knowledge

In order to know what was new about the project and the details of the work on it, we met with Mr Qahtan 'Abd-al-Jubbar, the official in charge of implementation in the water department. He said: "With regard to some of its aspects, the al-Karkh water project is considered to be the first of its kind in the world. It has a working capacity of 350 billion cubic meters a day and contains two purification complexes, each of which has a capacity of 450,000 cubic meters a day. What is new about the work? Everything about it is new, from the design to the method of implementation. We took into account the needs of the city in terms of transportation and storage capacity. In addition, when we drew up the plans, we took into account the possibility of earthquakes and floods occurring. Thus, we changed from regular iron to ductile pipes. This kind of pipe is considered the

biggest thing to come out of the science of transporting water, in terms of keeping up with the development going on in the world. Another new thing is that the water leaves each purification center through two pipes, each of which has a diameter of 2.5 meters and a length of 80 kilometers. The water is transported to various storage tanks at different parts of the capital in a well studied fashion and to the main distribution network. From this storage facility, the purification center and the other storage facilities can be controlled over a long distance."

The official in charge of implementation at the Water Department added: "The project also contains the al-Karkh distribution network, which is 200,000 meters in length. As for the pipe diameter, it varies from 1.60 millimeters to 400 millimeters. On the basis of the project's work schedule and timetable, one can say that work on it will be completed in 1985."

Therefore, can one say good-bye to the old storage tanks?

"Definitely. The storage tanks in the al-Karkh project will be under the ground. The water in the tanks will be pumped at a pressure level of 20 meters. Thus, it will not matter how far away from or close to the storage facility a consumer is. It is completely different with the old storage tanks, which we will destroy after completing the project. One thinks of the storage facility at Karadat Maryam, close to project number 10. We may try to use the old facilities in other areas, in ways the capital secretariat might suggest.

#### Modernizing the Capital's Water Network

Concerning this project, the general director of the Water Department said it would provide water for Baghdad for many years to come. Mr Fakhr al-Zubaydi said it was the first project of its kind to be carried out in any Western or Eastern capital, since it involved laying out a transportation network of the best hydrologically designed pipe with the aid of a computer. The project's director, Engineer Muhammad Wajih al-Dabbagh, thinks it was more than necessary, given the age of the system and the loss of its plans. He said that the idea of replacing Baghdad's arteries (its water system) arose first of all because of the large number of breaks and large leaks occurring in the old network. Secondly, the idea was conceived because of the inappropriate nature of the system in terms of both design and execution. Thus, the project director thinks that the decision to replace the old system was simultaneously radical, large, and surprising, since Baghdad is considered to be the first capital in the world whose water department is working to replace its entire system in all quarters of the city as part of a single project. The rule followed in other capitals is to replace the system one street or quarter at a time, not to replace the entire network. How can such a thing be done in a broad and large capital like Baghdad? Apart from that, the project is being executed in record time, since the period is no more than 3 years. Such a gigantic undertaking generally requires a longer period.

How much of the project have you achieved?

"Before I say anything else, and so that you can know what we have accomplished, let me affirm that implementation began in 1981. As for the amount of pipe, it exceeds 900,000 meters of pipe with a diameter ranging from 1600 millimeters to 1000 millimeters. This year, 816,000 meters are being laid. Of that, more than 600,000 meters have been laid so far. The length of pipe remaining will be easier to lay than the rest, because it will be placed outside the central area. Naturally, during our work, we take into account the layout of Baghdad's streets and the problem of traffic in them, as well as the absence of precise maps of the service networks in the capital, such as the telephone, electricity, and water systems!"

Stations for Untreated Water, Too

What about untreated water?

"I forgot to mention that the project also contains five stations for pumping untreated water. By the middle of 1984, work on these stations will be completely finished. The importance of these stations lies in the fact that they will meet the needs of the city of Baghdad and the surrounding green belt. They are very good stations in comparison with the previous ones. Baghdad used to have 27 small, dispersed pumping stations. Most of them were located on the al-Kharr River and the al-Jaysh Canal. Neither is a dependable source of untreated water.

Water Projects and International Reverberations

It remains to be said that most of the Baghdad water system modernization project has been built, and that part of it is now in use. It is supplying the areas of al-Jadiriya, al-Fadiliya, al-Kazimiya, al-Shu'lah, al-Hurriya, and Karradat Maryam with pure, cold water. It will be opened formally today. Suitably enough, the al-Karkh water project and the modernization of the Baghdad water system have caused a large echo. Specialized newspapers in England, France, Japan and other countries have written about them, pointing out the precision of the objective plan for the city of Baghdad. The latest reverberation occurred at the World Drinking Water Conference, which was held recently in London. It was attended by 50 nations, and Iraq had the honor of chairing the conference. When the Iraqi chairman spoke about this project, the hall was filled with applause and those in attendance rose to honor this great country.

The Achievement is Due to the Experience of the National Foundations and the Faith of the Workers

Finally, these two giant projects represent something of great importance that provides necessary services now and will continue to do so in the future. They interact with our national foundations in a manner that has confounded the calculations of others and achieved our ambition. With regard to all this, the expert in the capital secretariat, Mr Fakhri al-Zubaydi, had this to say: "In truth, what makes us feel proud, glorious, and honorable, while deepening

our faith in the ability of our capacities and the competence of our agencies, is the active, dedicated work by qualified persons in these projects and many others. On this project, a simple Iraqi technical staff oversaw the implementation of this gigantic effort, despite all the difficult circumstances our beloved country is experiencing, the practical difficulty involved in carrying the project out, and the great suffering experienced during the execution period. Through faith in the soil of this country and boundless will stemming from the iron determination of our heroic leader, Saddam Husayn, this intellectually creative group, which was dedicated to our people and led by Comrade Samir al-Shaykhali, the supervisor of the capital secretariat, was able to finish the job in record time. At the same time, many technicians were betting that it would be impossible to carry out the project. I can only say that these two projects are the greatest achievement in the field of supplying drinking water, and we place them at the service of our country as work on the transportation networks draws to a close. All of us hope that they will contribute to the elimination of the water shortage in the capital."

#### Underground Tunnels and Plans for the Future

These two giant drinking water projects, which are so important for meeting the capital's needs and eliminating the shortage entirely, are not the end of the line. Ambitions are growing, since the Water Department wants to meet Baghdad's needs via good, integrated distribution when the al-Karkh water project is completed in 1986. It also has ambitions of completing the first phase of the al-Rasafah project in 1988 and the second phase of the al-Karkh project in 1992. It will build 21 storage facilities for all of Baghdad, and they will have a combined capacity of between 40,000 and 60,000 cubic meters. An underground tunnel will be built to transfer the water from northern to southern Baghdad. It will run parallel to the Tigris River and be 8 meters wide and 18 meters deep. It will run to a main storage facility, from where the water will be fed into the al-Rasafah and al-Karkh networks. All this will occur by 1990. All these operations will be controlled from the operations room or via long-distance control. By means of centralized control, it will be possible to locate any malfunction in the networks or storage facilities, which will be displayed clearly on a special television screen in the control room. Thus, there will be no need for citizens to complain or contact the Water Department by telephone.

Last but not least, the water system will last for more than 60 years without malfunctioning, in view of the advanced technology being provided by the new water projects. Based on the programmed, well studied planning being done of the city's future and its expansion, we can say that every good beginning must bear fruit. Baghdad can rejoice in its cold water. We hail the efforts made by the capital secretariat in its race against time for the sake of Baghdad the beautiful and glorious, and we thank the Water Department, which will put an end to our pains forever.

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## FIRST STAGE OF KARBALA' ROAD PROJECT COMPLETED

Baghdad AL-JUMHURIYAH in Arabic 5 Dec 83 p 8

[Article by Tariq Amin: "Completion of the First Stage of the Land Pilgrimage Road"]

[Text] Roads are the arteries of life. They represent the necessary introduction to reaching that which is best. The roads in and around the city that embraces the symbols of martyrdom and faithfulness have been extended, thereby making communication in Karbala' as easy and splendid as in the other governorates, now that our internal arteries have become fertile ground for building.

We know from the director of roads in the governorate of Karbala' that the directorate's agencies have completed many important projects ahead of time. Our intrepid workers and technical agencies have played a dominant role in completing these projects, in view of their awareness of their historic responsibility and the depth of the brotherly ties binding the parties to the production process. All of them are working day and night in response to the call of their sacred duty, especially now, when our struggling nation is waging a just battle against the aggression of the perfidious Iranian regime.

The first stage of the land pilgrimage road is 137 kilometers long, and it has the greatest prominence. In addition, a large portion of the second and third phases have been completed, amounting to 120 kilometers. It has been said that this road is considered one of the most important foreign roads. It is the shortest route linking Iraq with Saudi Arabia, and it provides great services to departing pilgrims traveling along it to the holy places.

The al-Tarmistun road project has also been completed. It is 17 kilometers long. In addition, the second lane of the Karbala'--al-Najaf road, which is 40 kilometers long, has been completed. The 'Ayn al-Tamr--al-Rahhaliyah road, which is 26 kilometers long, has been completed, as has the road between al-Masib and Jarf al-Sakhr, which is 14 kilometers long. The road between Karbala' and al-Husayniyah has been paved.

With regard to the directorate's projects for the future, the director of roads for Karbala' explained that detailed, integrated studies have been done for building several important roads, including the al-Hindiyah--al-Kifl road, a public road to connect the district of al-Husayniyah with the dam at al-Hindiyah, a second lane for the road between Karbala' and 'Ayn al-Tamr, and another road to go around the area of 'Ayn al-Tamr.

Here as well, we find the efforts of the citizenry and the concerned agencies within broad popular work campaigns. The campaigns have aimed at paving the rural roads, the alleyways, and the roads in residential quarters, in addition to organizing traffic circles and their gardens on the main roads.

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## BROADCASTING AUTHORITY OFFICIALS TO BE REPLACED

Tel Aviv BAMAHA in Hebrew No 23, 1 Feb 84 p 46

[Article by Ya'ir Ben-David: "The Entire Upper Echelon of the Broadcasting Authority To Be Replaced 1 April"]

[Text] Who will be our national media people in radio and television after 1 April, and who will be the captains of the electronic communication ship in Israel in the coming years. These two questions have been on the minds of the communications community these days, especially those who work in the broadcasting authority, since, for the first time in many years, on April 1, 1984 the terms of office will run out simultaneously for both the institutions of authority and for its general director.

Cynics ask which government will determine who will be chosen to these important offices--the government of the Likud, a transition government (in the event of early elections), a national unity government or a Labor government that would replace the existing one during this Knesset session?

In any case, those who make the determination will be the minister of education and culture, who is in charge of implementing the broadcast authority law, and the prime minister, who will certainly firm up a proposal to be brought to the government for confirmation in the month of March.

Meanwhile, the minister of education, Zvulun Hammer, who has recovered from a heart attack, is in consultation with various bodies on reconstituting the broadcasting authority plenum, which numbers 31 members.

The bodies which with he must consult before making a decision are the newspapermen's guild, the writers' guild, institutions of higher education, various artists' organizations, the Hebrew Language Academy, the Jewish agency, women's groups and other public bodies, i.e., the political parties.

After the candidacy of the 31 public officials is firmed up, the government will recommend them to the president for the broadcasting authority plenum. The government then will choose from among them 8 as members of the directorate, including the chairman of the broadcasting authority and his deputy.

Many members of the plenum and directorate, including the chairman of the authority, whose names have been mentioned many times in the media over the past 3 years following this or that criticism or opinion that they had voiced about radio and television operations, are leaving the authority because, according to the law, they can serve, at most two 3-year terms. Four directorate members (Yaron, Meron, Almog and Shitrit) are completing their terms and leaving on 1 April while two of them (Yanon and Papu) apparently will be appointed to a second term.

As we noted, the government will at the same time have to choose a general director of the broadcasting authority, who is also the editor-in-chief for radio and television, since that 5-year term of office expires then as well.

The present director general, Yosef Lapid, is not hiding his strong desire to continue with an additional term, and in order to assure that prospect, is trying to muster support among the government ministers. But, according to sources close to the prime minister, Yitzhaq Shamir wants to man the position with a reporter close to the positions of the Herut movement. Among the names mentioned as possible candidates for the job were the former communications advisor to the prime minister Uri Porat and reporter Natan Baron, both of them YEDIOT AHARONOT people.

There is greater certainty about the candidate for the job of broadcasting authority chairman. Apparently the education minister will suggest for the post 41-year old attorney Mica Yanon, the general director of the lawyers' bureau and a man who several times filled in for Professor Yaron when the latter was abroad. In his capacity as deputy chairman of the authority in the present term, Yanon has acquired a lot of broadcasting experience, and the education minister sees him as a natural candidate for the job.

These days, with Minister Hammer's return to activity after recuperation from a heart attack, the politicking for the appointments has begun to gather momentum. The final decisions will be made, apparently, only after the education minister concludes his negotiations with the treasury minister on education ministry budget cuts. Not only the electronic media people but also many of its consumers will follow the process in the coming weeks with intense interest, since the outcome will have great influence on the content, character and form of national radio and television broadcasting in Israel for the next several years.

9794

CSO: 4423/36

MILITARY OFFENSES GO ON CIVILIAN RECORD

Tel Aviv BAMAHAHE in Hebrew No 25, 15 Feb 84 p 7

[Article by Lt Col Barukh Avrahami, chief of administration, counseling and law: "Soldiers Convicted in a Military Tribunal Will Be Listed in the Civil Criminal Registry As Well"]

[Text] Dose information about a soldier's military offenses get sent outside the army? When and how does information about IDF offenses get passed on to the Israeli police's civilian criminal registry?

The criminal registry law went into effect recently, and the statute was intended to create an ordered registry of convictions, punishments and other determinations of interest to the courts in criminal proceedings. It sets down the rules for transferring information to the registry and from it. The law sets down the need to transfer information about a criminal past for needs recognized by the law as legitimate needs, such as accepting workers for public service. Under the law, convictions and punishments by a court martial for disciplinary infractions are not listed with the Israeli police. On the other hand the law requires the listing of felonies and all crimes for which the maximum penalty under law exceeds 3 years imprisonment. The question then remains as to all other offenses tried in a military tribunal.

Following our appeal to the minister of justice, the question was taken up for discussion by the Knesset's Legislation, Law and Judiciary committee and statutes were drafted which will be implemented shortly. In this list we will present the essence of these statutes and acquaint our readers with some of the controversy that accompanied their enactment.

Special weight was given in this connection to the particular character of military service. The military framework presents the young soldier with requirements to which a civilian is unaccustomed. The soldier who does not meet his obligations or who does not adjust to the military regimen and discipline is likely to transgress the code even if he is a decent law-abiding person. The army confronts the soldier with higher norms of behavior, and his failure to meet them does not necessarily testify to a negative character. From this point of view it is not justifiable that offenses of a clearly military nature should follow him like the mark of Cain for the rest of his life. Therefore the statutes are written so that infractions such as

negligence, non-obedience of an order, non-fulfillment of obligatory instructions in the army, improper behavior, lapses in discipline, lack of care for military property and a small number of other offenses, of a military-disciplinary nature, are not listed in the criminal registry.

In contrast to these offenses, there are others the external appearance of which is "military" but the essence of which is that of a regular criminal offense insofar as the values protected by them are general social values. Among these, for example, are crimes such as threats and insults to a commander, violence toward another soldier, resistance to an MP, impersonation, and crimes involving military documents. Information about soldiers who commit these offenses will be passed outside the military to the Israeli police registry since it reflects a deviation from social, not just military, norms.

To these are added offenses which are indeed peculiar to military life, with no parallel in civilian life, but for which, nevertheless, listing in the civil registry is required. One of these, for example, is being AWOL. The criterion for including these offenses in the criminal registry has to do with their severity and the fact that they reflect deviant behavior which goes beyond the military framework. Behind this approach is the idea that military service is a part of an Israeli citizen's obligations.

9794

CSO: 4423/36

## DEVELOPMENT TOWNS SUFFER UNEMPLOYMENT, MIGRATION

Tel Aviv YEDI'OT AHARONOT in Hebrew 2 Feb 84 p 9

[Article by Avi Shahar: "The Young Are Voting with Their Feet and Abandoning the Development Towns"]

[Text] In a press conference set up by the labor council heads of Yeroham, Mizpe Ramon and Ofaqim together with some Histadrut leaders, an extremely bleak picture was painted of the employment situation of the development towns in the Negev. In a number of places the unemployment rate is over 25 percent of the work force and would have been even higher were it not for the emigration of settlers from the towns. Criticism of the government which "infuses a mighty flow of capital into a handful of settlements--and a tiny stream to the thousands of immigrants in the development towns."

"The employment bureau's data on the scope of unemployment in the development towns do not adequately reflect how bad the situation is in this area," according to three labor council heads of Yeroham, Mizpe Ramon and Ofaqim.

Ha'im Zahavi, head of the Yeroham labor council, said yesterday in a press conference held jointly with some Histadrut leaders that although the employment bureau's data do indicate how many people apply to the employment office, they do not indicate the true nature and extent of the unemployment, and that for a number of reasons "the young simply prefer to vote with their feet." According to him the young leave Yeroham to try their fortune in the big cities; many of them try to stay in the regular army. "In one recent year 120 townspeople were drafted into the IDF, but only 20 of them returned after discharge," Zahavi says. In his opinion the employment office data also do not reflect the fact that many women who are ready to work to help support the family prefer not to register with the employment office.

## Temporary Jobs

Likewise, Zahavi claims, the plants occasionally hire workers for temporary jobs and this distorts the statistics. Zahavi explains that the "Penitzia" plant now needs 30 workers for a week, but after that they will find themselves on the outside again.

Unemployment in Yeroham exceeded the danger point of 10 percent months ago. Today the unemployment rate in the southern town is 25 percent of the work force. The number of unemployed in Yeroham has been growing for a long time, but since the beginning of the economic crisis the increase has accelerated. Within a few months, about 200 Yeroham residents who worked in local production plants have been laid off to join the town's swelling unemployment ranks.

The Negev Plastics plant, into which \$7 million were invested, collapsed, leaving 30 unemployed wage-earners in the town. The plant owners fled abroad, leaving without paying their workers their wages or termination benefits. The metal plant, "Brand Metal," so successful in the past, has also begun to founder, and 45 of its 60 workers have been fired. A similar fate has befallen the Ackerstein concrete plant. It has been forced to lay off half of its workers because of a drastic decline in orders from construction companies in Israel.

#### War of Attrition

The "Long Johns" textile plant had to lay off 50 women workers on forced leave of absence because of liquidity problems, and 15 more were laid off at the "Farmgoose" plant because of a changeover in production from cosmetics to pharmaceuticals. According to Ha'im Zahavi, 150 more workers are about to be dropped from the job market from among those employed in the town's public institutions.

These will involve workers from the local council, the Sede Boqer teachers' institute, the MATNAS (expansion unknown), the health insurance fund, day care centers and others. At this point the workers' council has frozen all discussion on the topic of dismissals and is conducting a war of attrition on behalf of every single worker.

Me'ir Ben-Gigi, secretary of the Mizpe Ramon workers' council, paints a similar picture. He says that 9 plants have been shut down there over the last 5 years. He further relates that between 70 and 80 families of regular army people have left the town because the women could not find jobs.

Ben-Gigi is a member of the Herut movement and says that he is "disappointed in the extreme by the way in which the government has been handling the situation." He claims that the only thing delaying opening the hydraulics plant is government foot-dragging in granting it convenient credit terms. Millions of dollars have been invested in the plant, and the building and machinery have been standing idle now for more than 6 months. The plant is supposed to employ about 300 workers when it reaches its full production capacity, but right now only 4 guards are on the payroll.

#### Preferential Treatment

According to Efra'im Shoshan, secretary of the Ofaqim workers' council, things are much the same in that town. The diamond industry employed many of Ofaqim's residents, and the crisis in that industry has worsened the employment situation in the town. Today, according to Shoshan, the town has

80 young army veterans who are sitting idle with no future. Gid'on Ben-Yisra'el, chairman of the department for organizations and workers' councils, claims that the government missed the opportunity to develop the Negev following the evacuation of the Sinai peninsula. "Were it not for the negative balance of immigration in the development towns, their unemployment rate would be even higher," Ben-Yisra'el says. In his opinion, preferential treatment should be given in budgets and resources to the development towns and not to creating a situation in which--as now happens--budgets from the 23,000 inhabitants of the West Bank are 7.2 times larger than those for all of the development towns. Ben-Yisra'el says that the government must encourage investments and the flow of money into distant towns rather than to the settlements of the West Bank which are close to the center of the country and in which investment is so attractive. The discussion was concluded by Uzi Bloch, the chairman of the Histadrut's employment committee. In his opinion the Higher Employment Commission--agreed to by the government, the Histadrut and the employers--is doing nothing. "With a few hundred thousand dollars hundreds of workers in the town could be returned to work," he says.

Bloch reports that, according to government figures, 47 plants were set up in the Negev last year. "Where are all those plants?" Bloch asks, and the question remains unanswered.

9794

CSO: 4423/36

KNESSET DISCUSSIONS DESCRIBED AS PATHETIC

Tel Aviv DAVAR in Hebrew 30 Jan 84 p 9

[Article by Shlomo Genosar: "Report from the Market: At Knife's Point"]

[Text] The following lines are a black and white picture of certain moments on the floor of the Knesset. If you see color, don't believe it. This is a sad picture. If it is funny, then it is more bleak. The Knesset may want to forget this discussion of a no-confidence motion, but it will not be able to.

Chairman Meknahem Svidor: I ask for silence. Knesset Member Peres is speaking.

Peres: Mr Chairman, may I ask the finance minister to cut the disturbances?

Svidor: Finance Minister, please. This is not possible. Please sit down. If you are having a consultation, please go out.

Namir (Labor): Is this a session of the Knesset or of the Government?

(The chairman is being replaced. Svidor leaves and Me'ir Cohen-Avidav of the Likud takes his place).

Peres: (In regard to the report of the Social Security Institute on poverty) Mr Prime Minister, are these statistical lies? This awful number of half a million people?

Communications Minister Mordekhay Tzipori: Pure nonsense.

Namir: The same nonsense as the number of people waiting for a phone?

Zakay (Labor): What did Minister Sharon say about Minister Tzipori? What kind of business is this? The ministers are having a choir.

Shalita (Likud): You will never be able to form a government. Read your minutes.

Milo (Likud): We have not yet written books.

Hillel (Labor): You can barely read.

Cohen-Avidav: One moment, Knesset Members, I turn to you left and right.

Gil (Labor): No. Turn to the ministers, sir.

Peres: You had money to flood the country with luxuries, Mr Communications Minister, including large cars.

Tzipori: The cars you have used have never been ordered.

Cohen-Avidav: Minister, you shouldn't interrupt.

Milo: He rides a scooter, right? Peres rides a board with two wheels.

Deputy Agriculture Minister Deqel (Likud): (makes an unintelligible remark.)

Na'im (Labor): I didn't understand what you said, oh great settler.

Deqel: I have made less damage than you.

Na'im: You have destroyed agriculture.

Milo: Knesset Member Na'im, Husayn is waiting for you guys.

Hurvitz (Rafi): Stop shouting.

Cohen-Avidav: Knesset Member Goldstein, I heard you were appointed party whip (Likud). Congratulations. Please whip them and keep them quiet.

Peres: Knesset Member Qatzav, you know that in the development towns unemployment has reached 25 percent?

Qatzav: Since you have addressed the question to me...

Cohen-Avidav: Sorry, I won't let you, please don't interrupt.

Milo: He was raised in an immigrant camp, let him talk.

Shahal: I grew up in poverty no less abject than his, and in an even larger family. Don't use terrorist methods here.

Peres: I am waiting for the prime minister to stop interrupting, along with the deputy prime minister.

Shamir: I am not interrupting.

Peres: Yes, you are.

Milo: Knesset Member Peres, please bring back the money of Bank Hapo'alim from the U.S.

Shahal: You bring back the money of Yehoshu'a Ben-Tzion.

Milo: We want to grow with Bank Hapo'alim.

Peres: It is not possible that one person, Roni Milo, interrupts constantly.

Cohen-Avidav: I agree. If I have to remove him from the room, I will do so.

Goldstein (to Peres): You are prepared to replace us any moment. If we give you a chance, you will replace us.

Peres: Mr Goldstein, your level of intelligence is well known in the Knesset. You don't have to keep showing it.

Peres: You have turned the economy into something resembling a Turkish economy.

Tubi (Hadash): Why are you insulting Turkey"

Peres: The situation is not backward. The thinking is.

Sarid (Labor): You cannot say that the government is backward if it includes Meridor.

Peres: You cannot go on, no one believes you.

Goldstein: They believe you?

Peres: I don't know what you have accomplished in your career. I know what I have. I ran in the election, not the one for the Liberal Center, by the way, and I did not bring relatives to vote for me.

Cohen-Avidav: I have not chaired such a disorderly meeting for a long time. I congratulate all of you.

(Knesset members are leaving the room. The Likud benches are almost completely empty.)

Cohen-Avidav: The Likud has left the room. You are now free of the Likud, except for Knesset Member Weinstein.

Namir: This is the regular picture of the Knesset.

(The room begins to fill somewhat as the finance minister begins to speak.)

Qatzav (to Zakay): Do you know that Israel has a world record in the number of students?

Namir: This is due to the Likud?

Cohen-Avidav: Knesset members, the amplifiers are dead.

Zakay (to Cohen-Orgad): Do not defend what was, Mr Finance Minister. Thanks to what was you are now the finance minister.

The Finance Minister: I am glad the amplifier near the lectern works, and we can continue with the facts. I propose to the Labor Party that it not join its head in trying to overlook the facts.

Amoray (Labor): Mr Finance Minister, why are you so happy? All the savings are sinking, why are you so jolly?

Cohen-Avidav: Knesset Member Amoray, please, it is not customary to yell in the Knesset.

Gil: He did not yell, don't be one-sided. This minister is rude, he is rude, this minister.

The Chairman: Knesset Member Gil, please don't mix in. You should be ashamed of yourself for saying such things.

Gil (to the finance minister): You are still smiling? You should be ashamed of yourself, you have destroyed the entire economy.

The chairman: To what level are you sinking in your discussion and in your interruptions? You should all be ashamed of yourselves.

Gil: Mr Chairman, tell the minister, who is rude.

The chairman: Why are you repeating these words? If you continue I will call you to order.

Gil: This rude person.

The chairman: You have run to the stand, I didn't know what happened, you almost panicked...

Amoray: I ran to the stand because there are no amplifiers and I wanted the minister to hear me.

The Chairman: I was simply concerned for your health when I say you run like this.

Interior Minister Burg: Mr Chairman, is this organized or not? If it is organized, I move that we adjourn.

Shahal makes an unintelligible call. Ulmrat suddenly realizes Shahal sits among the Labor members.

Ulmrat: Why are you sitting behind me? I keep hearing you in front of me and now you are behind me.

Deputy Minister Qatzav: Mr Chairman, we are being attacked here from all sides.

Ulmrat: This is a planned attack of Labor. Shahal behind and Zakay in front.

Cohen-Avidav: I am asking you again. I have never seen such an unruly session, really unruly.

Zakay: Who started?

Bar-Lev: We are all guilty.

Deputy Finance Minister Corfu: Knesset Member Zakay, no one is innocent.

Goldstein: You are jumping like goats.

Tubi (to Labor): Why are you keeping quiet? What kind of a word is this in the Knesset?

The chairman: I don't hear. I didn't hear. I really didn't hear. The microphones are dead.

The finance minister: Ladies and gentlemen, members of the Knesset...

Zakay: Every finance minister defends his predecessor, then why are you replacing him?

Finance minister: A country does not become Switzerland or a financial center only through the efforts of its citizens.

Nehemqin: Good morning, Eliyahu.

(During the speech of Virshovsky, Avraham Katz-Oz sits in Virshovsky's seat and talks to another Knesset member.)

Virshovsky: I ask Knesset Member Katz-Oz not to sit in my seat and disturb me. This is too much.

Shahal: Knesset Member Katz-Oz, Knesset Member Virshovsky asks that either you change your set or stop interrupting.

Kleiner (Likud, during his speech): Some people are on board the ship, and when the ship veers they lose their balance. This hurts.

Zakay: Are you a seaman?

Kleiner: We have also developed the poor neighborhoods, we are developing the Lavi, we are paying the price of peace and we have brought peace to the Galilee. All of this costs money.

Katz-Oz: What price are you paying? I didn't understand, the price of peace or the price of war?

Deputy Education Minister Ta'asa-Glazer (Likud): Some Knesset members only destroy. They destroy everything, they destroy the dreams of youth.

Aloni (Labor): Just a moment, you don't remember who destroys dreams in the Knesset?

Ta'asa-Glazer: I am not talking to you, I'll take care of you in a minute.

Gil: What does it mean you will take care of her? What kind of language is this?

Aloni: What kind of caretaker are you?

Shahal: Knesset Member Glazer-Ta'asa, I ask of you, the word caretaker is...

Ta'asa Glazer: I am sorry, I take it back, I will take care of the questions she has raised.

Aloni: We have two women Knesset members, one is "the People of Israel" and the other is a "caretaker."

This is enough. Why is it enough? Because we have to stop somewhere. It went on and on, for 8 hours.

9565

CSO: 4423/35

## BRIEFS

**KAHANE'S EXIT PREVENTED**--Tel Aviv Registrar Rut Alqabetz issued a delay injunction last week against Rabbi Me'ir Kahane. The injunction was issued for failure to pay a debt. Before the 1981 elections Kahane's movement published an ad which hinted that the Arabs are liable to violate an "innocent daughter of Israel." The ad showed the picture of soldier Lili Aspir, copied from BAMAHA. Aspir's lawyer, Yitzhaq Ben-Menahem sued Kahane for libel, using Aspir's picture without permission, at district court in Be'er-Sheva. The parties had reached a compromise when Kahane agreed to pay the soldier for court and lawyer fees. He only paid part of the sum, and owed her 4500 shekels. The soldier's lawyer asked that Kahane not be permitted to leave the country until he paid his debt. His request was accepted. [Text] [Tel Aviv YEDI'OT AHARONOT in Hebrew 29 Jan 84 p 12] 9565

**LOWER GALILEE COMMUNAL SETTLEMENT**--A communal settlement, the first of its kind, will soon be built in the Lower Galilee, offering the residents high quality living conditions, good climate and a breathtaking view. The new settlement will be built on the ruins of the village of Lubiya, not far from kibbutz Lavi and the Golan junction. The residents will be mainly members of Lower Galilee communities who need housing, as well as services, industry and tourism workers in the area. The initiative for the new settlement has come from the regional council of the Lower Galilee. The council is interested in adding a community with a rural character within its jurisdiction and decided to sponsor the new settlement. It will be formed as a cooperative and will be considered a moshav without agriculture. The degree of success of the "moshav without agriculture" will determine the formation of additional innovative moshavim in other parts of Israel, where the climate and the scenery are good but the land and the water resources do not meet the needs of agriculture. [Text] [Tel Aviv HATZOFE in Hebrew 27 Jan 84 p 12] 9565

**NEW SOPHISTICATED ARMS INSTITUTE**--The weapons' development authority (REFA'EL) last week dedicated the "Leshem" institute at Gush Sagav in the western Galilee. It sprawls over 7000 dunams and will do work on guided missiles and sophisticated armor, electronic weapons systems, communications and radar, electro-optical systems, transport devices, fuses and protective devices. Sources at REFA'EL believe that at least 500 families will come to live in the Galilee within 3 years following the establishment of the new institute and other high tech plants at Gush Karmi'el and Refen. The establishment of the institute will cost Raf'a \$60 million and 350 new dwelling units already have been set up in the area. REFA'EL's production is estimated at \$300 million a year with 60 percent set aside for production and 40 percent for weapons. The facility is the first in a multi-year program to transfer all of REFA'EL's facilities to the Galilee, a program based on a development forecast for the authority for the next 30 years. [Text] [Tel Aviv BAMAHA in Hebrew No 25, 15 Feb 84 p 6] 9794

## SOME SETTLEMENTS EMERGING FROM KUWAIT'S STOCK MARKET COLLAPSE

Paris AN-NAHAR ARAB REPORT & MEMO in English No 5, 30 Jan 84 p 20

[Text] Some of the clouds of uncertainty that have bedevilled private business in Kuwait since the unofficial over-the-counter Souq al-Manakh stock exchange collapsed during the summer of 1982 are beginning to clear. The crash, which left a mountain of post-dated cheques with a nominal value of over \$90 billion, also meant that many Kuwaiti businessmen who never went near the Souq al-Manakh have no idea whether they are solvent or not until they discover whether debts to them will be paid.

One of the biggest debtors, whose cheques for Souq al-Manakh dealings totted up to Kuwaiti Dinars 1 billion (\$3.4 billion) on their face value is Sheikh Khalifa al-Abdullah al-Sabah, a nephew of the Ruler. Now, according to a report from Kuwait, his creditors are being offered a deal which would reduce what he owes to KD 480 million (\$1.6 billion). The state-controlled Kuwait Foreign Trading, Contracting and Investment Company has already made a first payment of KD 156 million (\$546 million) to those who accept a formula whereby Sheikh Khalifa pays only the nominal value of the shares for which he wrote cheques at the time of the trade. Traders who owe him money must pay the price of the shares plus a premium of 25 per cent. Originally, premia ran to as high as 400 per cent of the share price.

KFTCIC is providing bridging finance for payments in four instalments over 18 months, with Sheikh Khalifa's assets serving as collateral for the loan. Members

of Sheikh Khalifa's family and friends are also providing funds and Sheikh Nasr Sabah al-Ahmed said about 70 per cent of Sheikh Khalifa's creditors had accepted the formula despite the way it favoured him. "It was like being given the choice of being shot in the head or being shot in the knees," was how one broker described it. "Most people chose the knees."

Another brighter sign of better financial weather was the repayment ahead of schedule of a \$200 million syndicated loan granted to the Bahrain-Kuwait Investment Group by 20 banks to cover losses sustained in the crash. The loan was arranged in July 1982 and its terms called for repayment over three years after a one-year grace period. The loan was arranged by the Bank of Bahrain and Kuwait and final repayments are now being made.

A new problem has arisen, however, over the ownership of shares in Kuwaiti closed companies which were traded illegally on the Souq al-Manakh and else-

where. According to Kuwaiti law, shares in such companies may not be traded until the firm has achieved a record of three profitable years. A Kuwaiti court ruled recently that transactions in which shares had changed hands were null and void, but this decision has since been overturned by a higher court.

According to unofficial estimates, trading in these shares has involved about KD 4 billion (\$13.6 billion). It is felt that attempts to unravel the deals would be both enormously complex and might spark off another crisis, in particular because many of the closed companies have post-dated cheques from the Souq al-Manakh on their books. A new law may therefore be required to determine who owns these shares.

CSO: 4400/174

## OIL TRANSPORT TANKERS ACQUIRED

Paris AN-NAHAR ARAB REPORT & MEMO in English No 4, 23 Jan 84 p 18

[Text]

Kuwait has bought two large Japanese-built oil tankers through the Kuwait Oil Tanker Company, a subsidiary of the state-owned Kuwait Petroleum Corporation (KPC). The 290,000-ton tankers will be added to the shipping company's existing fleet of 23 smaller vessels which currently transport 48 per cent of Kuwait's total exports.

Abdul Fattah al-Badr, Chairman of the Board of the company, was quoted by the official Kuwait news agency *KUNA* as saying that the company aimed to carry 65 per cent of the country's oil exports to bring down the cost of shipments. He did not disclose how much had been paid for the giant tankers, one of which has already delivered a cargo to Rotterdam.

Mr Badr said that by 1985 the company will be operating four tankers, three to transport refined products and the fourth to supply a Kuwaiti-owned refinery in Holland. The planned additions to the fleet are designed to complement a projected expansion in Kuwait's refining capacity.

In a related development, Mr Badr indicated that the company had decided to buy a \$10 million vessel to import liquid natural gas (LNG) from countries including the UAE, Algeria, Indonesia and Libya. The first consignment of LNG is due in May, but Mr Badr did not say how the gas would be used.

The shipping company had a budget of KD 333.3 million (\$1.14 billion) in 1983 and made

a net profit of KD 9.3 million (\$31.8 million), *KUNA* said.

The Kuwaiti purchase comes at a time when the amount of tanker tonnage available vastly outstrips demand for cargoes in the Gulf. Conditions for Shipowners from the region were last week described as desperate by E A Gibson Shipbrokers, who were quoted as saying that "the enormity of tonnage available overhangs the market like an albatross."

KPC's move propels it further towards its objective of becoming a fully-fledged international oil corporation in control of all aspects of the business from exploration and production to refining, transport and distribution. In the short term, KPC is also aiming to ensure that Kuwait can market enough of its own crude oil and refined products to meet the country's revenue needs. Kuwait cannot afford to let its oil production fall too low because it needs associated gas to fuel local industries and desalination plants. It is reported to pay an undisclosed price for Gulf Italiana, the Italian operations of Gulf Oil Corp. Last year, Gulf Oil Corporation. Last

year it bought Gulf's Benelux and Scandinavian refining and distribution networks. Recent reports that a Kuwaiti-controlled investment group was planning to make a bid for UK Petroleum Products, an independent British oil company with 300 filling stations in Britain, were denied by the Kuwaitis. The Hays Group, on which speculation centred, had already acquired two small fuel distribution companies in Britain.

Meanwhile, Gulf Oil last week denied a report by *KUNA* that it was on the point of selling its refining and marketing operations in Britain to KPC. A Gulf spokesman in London was quoted as saying: "As far as we know, there are no talks going on." *KUNA* had said that KPC would not admit that negotiations were in progress because it wished to avoid any sharp fluctuations in share prices of the companies concerned.

Reports that the Kuwaitis were keen to buy Gulf's British interests surfaced last spring, but KPC apparently decided that it needed time to digest its Benelux and Scandinavian acquisitions. Gulf's holdings in Britain include a 103,000 b/d refinery, rights to 30 per cent of a cracking plant owned with Texaco and about

450 filling stations, representing about 3 per cent of the British market for gasoline.

KPC's first major move towards diversification came in autumn 1981 with the \$2.5 billion purchase of Santa Fé International, the California-based oil exploration and engineering group. Last Corporation. For Gulf Italianan group, Santa Fé Minerals, bought an 8.4 per cent share in an exploration block in Britain's North Sea oil fields for \$7 million. The same company had paid \$4.4 million earlier in the year for a half share in an exploration licence held by Britain's Saxon Oil. Santa Fé also has substantial holdings in the oil-producing Thistle Field in the North Sea.

In 1982, KPC built up a stake of just under 25 per cent in the West German chemicals giant Hoechst, with which it is planning a number of joint ventures in the petrochemicals field.

Last summer, KPC set up a company in London, Kuwait Petroleum International, to coordinate the activities of the companies it had bought in Scandinavia and the Benelux countries and it may be presumed that KPI will also supervise the operations of KPC's new Italian acquisition.

## PROPOSED LEBANESE FEDERAL STATE DISCUSSED

Kuwait AL-WATAN in Arabic 8 Jan 84 p 17

[Article: "A Proposal for a Federal State in Lebanon That Would Consist of Five Regional Units"]

[Text] The weekly Lebanese magazine AL-NAHAR AL-'ARABI WA AL-DUWALI has discussed the existence of a European proposal for the creation of a federal state in Lebanon that would consist of five regional units. In the issue to be published tomorrow, Monday, the magazine noted that this proposal rests on the basis of each of these five units recognizing that Lebanon is one country. In addition, each would have a vital opening to the Mediterranean Sea.

The magazine said that although the European proposal does take into account the country's sectarian-geographical distribution, it does not violate what the magazine called united Lebanon. The proposal does take into consideration the lessons of the civil war and the diversity characteristic of Lebanese society.

The magazine pointed out that the proposal was composed at a previous, unspecified time. At that time, it enjoyed the agreement of former Lebanese President Ilyas Sarkis, after its title was changed to "developmental decentralization, with an emphasis on maintaining a strong central authority.

The magazine explained that the first of the proposed five regional units that would make up the Lebanese state would be the region of Greater Beirut, which would be the center of the federal state. According to the proposal, it would enjoy a special system different from those of the other units.

The second unit would contain a Lebanese Christian majority. Its borders would extend from al-Qalamun and Zagharta in the north, and it would have a corridor to the east that would add to it the city of Zahlah and the township of Riyah. To the south, it would extend to the Beirut-Damascus highway.

The third unit would contain those areas in which the majority of the population is Druze. Its northern border would be the Damascus highway, while its eastern limit would be the Syrian-Lebanese border. Its southern border would be a line extending from al-Rumaylah to Hasbayya.

The majority of the population in the fourth unit would be southern Shi'ites. It would extend from Sidon to Lebanon's southern border with occupied Palestine.

According to the plan, the fifth unit would consist of areas with a mixed Sunni-Shi'ite population. It would extend from Rashayya al-Wadi in the east to Tripoli in the west, and northward to the Lebanese-Syrian border. It would contain the areas of Tripoli, Halba, and al-Hirmol.

The magazine also referred to the existence of a school of thought it said had begun to establish itself in the last 2 weeks. This school speaks of the need to cause "some kind of change" in Lebanon, whether in terms of geography, the country's population-demographic distribution, or the political system.

The magazine mentioned that this current says that all the political and military events happening in Lebanon are not merely heralds of partition or division. Rather, they also mark the beginning of the embodiment in practical terms of a new situation on Lebanese soil. This has caused some to believe that the United States may now make a new deal with Syria at the expense of the Lebanese entity, after having made such a deal with Israel. This deal rests on partition and division.

AL-NAHAR AL-'ARABI WA AL-DUWALI explained that the American proposal for partitioning Lebanon goes back to 1975. However, the recent meeting between former American Secretary of State Henry Kissinger and former American Secretary of Defense Harold Brown revived this solution to the Lebanese problem.

The magazine said that a change had occurred, because the proposal now calls for dividing Lebanon between Syria and Israel, instead of dividing up Lebanon among the Lebanese, as was suggested in the past.

The magazine said that the idea behind all this is that the interests of the United States in the Middle East are not limited to the security aspect. Rather, they go beyond it to the necessity of assuring access to oil in the Gulf and preventing the outbreak of a new war between the Arabs and Israel.

In addition, the magazine confirmed that despite the recent strategic cooperation agreement between the United States and Israel, each side still views the solution to the Lebanese problem from its own special perspective and in accordance with its interests.

In this regard, the magazine indicated that Israel thinks that the most appropriate solution of the situation in Lebanon is to divide the country into sectarian ministates and independent entities. Beirut and some of its suburbs could remain an independent Lebanese republic with no authority over any of the ministates.

The magazine said that in this case, in accordance with the Israeli point of view, Israel and Syria would sign peace and friendship treaties with the newly created entities in various areas, especially military and economic affairs, with the pretext of assuring their continued existence and preventing them from dissolving into an ocean that might overpower them militarily.

IMPORTANT RELIGIOUS FIGURE FROM SAYDA INTERVIEWED

Kuwait AL-WATAN in Arabic 20 Jan 84 p 10

[Interview with Shaykh Mahir Hamud, a religious leader from Sayda, by AL-WATAN: "The Lebanese Government Is Entering With Israel Into a War Against the Muslims"; Beirut, date not specified]

[Excerpts] The city of Sayda has changed from the administrative capital of southern Lebanon into the capital of the national resistance. Its main street is the scene of heroic operations, and after each prayer service, its mosques witness a crowded demonstration against the occupation. From its pulpits come preaching and incitement. The religious scholars teach and lead civil and armed resistance from them. At night, the city of Sayda becomes a liberated city in which the enemy is ineffectual. They do not possess the boldness needed to enter it. During the day, they move through it fearfully and cautiously. Nevertheless, heroic operations surprise them. At the end of a battle of confrontation, three young men from the city fell as martyrs. Sayda honored them, and Beirut joined in. The statement from the city of Sayda was read at the ceremony in Beirut by Shaykh Mahir Hamud, the foremost religious scholar in the capital of the south. He was also the teacher of the three young men. We met him in Beirut and held this interview with him:

[Question] The south is witnessing a comprehensive uprising against the Zionist occupation. The city of Sayda is playing a leading role in this movement. Do we have a picture of the situation there?

[Answer] In reality, right after the occupation, while the dead were still lying on the ground, and after the destruction had taken in the entire city, Sayda witnessed several heroic operations against the occupation and saw real opposition to it, especially from the mosque pulpits on Friday. The preachers emphasized the historic nature of the struggle with Zionism without any fear of the occupation forces, which used to go through the streets and listen to the talk.

Today, Sayda's true face has returned to it. The dust is gone and the masks have been smashed. We have to explain that by considering a few things:

First, there is the prominent role played by the religious scholars. They did not hesitate to turn the Friday prayer service into an occasion for celebration and commemoration, so that they could incite the people against the occupation forces.

Second, there were the three martyrs. They were the first three to fall in a direct confrontation with the Zionist enemy. They did so in a rare and heroic fashion. Many martyrs had fallen before them, but the way in which they confronted the occupation forces distinguished them from the others.

What made Sayda act in this way for their sake was the fact that they were her sons. They came from well known families and were well known as individuals, too.

Jamal Habbal was a student in the public schools, as well as at the College of Law. He was born in 1959. His concern was jihad on the path of God against the Zionists. He was taciturn and silent about it. No one knew what he was preparing. However, his father felt for him. He was able to secure for him a working visa for one of the Arab countries, although it is difficult to acquire such a thing. Many are waiting for such an "opening", but he said to his father, "I want to strive and die as a martyr for the sake of God."

Mahmud Zahrah was a young man who worked as a mechanic. Born in 1962, he was one of the first to bear arms in secret operations against the occupation forces and the supporters of the occupation. Therefore, the Phalangist forces imprisoned him for 4 months during the summer before last. He suffered hardship, though they were not able to prove he had done anything. He spent some hard days that summer. On the day of his release, somebody said to him, "They could have killed you." He repeated again and again what he had learned from the religious scholars: "If they kill me, I will be a martyr. If they continue to imprison me, my prison will be like a place of retreat and meditation. If they release me, I will return to the arena of battle." This is what happened. Neither the torture he underwent in prison nor the harsh treatment he encountered prevented him from returning immediately to the fight. Moreover, both he and Jamal Habbal spent more than a month in the prison of the Lebanese state. During that time, they ate nothing but a few crumbs of bread, and they were tortured severely. It was as if what they encountered amounted to the implementation of what Israel wanted.

Muhammad 'Ali al-Sharif was a confectioner. Out of the three martyrs, he was the only married man. He also felt a high desire for jihad. He knew that spies were keeping track of him at his home in 'Ayn al-Hilwah. Among them were some of his relatives. Lest the observation cause him to give up his struggle, he rented another house in the al-Qiya'ah area. He and his comrades were martyred in the house, which the Israeli forces destroyed out of revenge.

All three of these men were graduates of the mosques. They represented the finest in Islamic behavior in terms of prayer, fasting, and morals. Therefore, in addition to the things we have mentioned, their blood was fuel for the uprising, which began in Sayda and spread out over the south. It will not subside, if God wills, until it has expelled the occupiers, who will be routed as reprehensible people.

Third, we cannot ignore the role of Sayda's deputy and the other important economic, social, and political figures. They have responded repeatedly to

the call of the religious scholars for various expressions and acts of solidarity intended to condemn the occupation. Sometimes they have been the first to issue similar calls that were no less important than those of the religious scholars.

These three factors have come together to produce this uprising, which has set Sayda on fire. All have taken part in it via demonstrations, strikes, and acts of solidarity. Especially noteworthy has been the solidarity of the women, which has frightened the Jews more than that of the men.

#### The Capital of the Resistance

[Question] Sayda has witnessed several meetings and gatherings intended to unify the resistance against the occupation. What can you say about them?

[Answer] Sayda is the capital of the south, and the south is fighting. Thus, Sayda is the capital of its struggle. Although it lost this role for a short time, as we have noted, it regained its pioneering role because of the factors we mentioned. We must point out that this role is important because of Sayda's ancient history, its noble cultural and scientific heritage, and its economic and social position in the south. Sayda holds about 450,000 souls, some of whom came to it from the provinces. It has become their city in the full sense of the word. The world is aware of the uprising in the city, and it pays more attention to it than it does to those in the countryside. The occupation can isolate them from all the people and do what it wants with the news of them.

#### The Slogan of the Struggle

[Question] How is it possible to unify the nationalist and civil opposition to the occupation?

[Answer] We respect all principles and those who hold them and work against the occupation. However, we have always affirmed that Islam is the best slogan for the struggle everywhere and at every time, especially in the lands of the Muslims. This is especially true of the confrontation with the Jews, for the Islamic heritage contains abundant, deep, and detailed knowledge concerning resistance to Zionism. Real experience has shown that this slogan is 100 percent correct. One needs only to look at what the religious scholars have done and at the mass acceptance they have found.

Thus, we must return in memory to our long struggle with the Zionists, in which we have failed many times. During all the battles against the Zionist enemy, the cry of Islam was not raised. This was especially true in 1948, 1967, 1973, and 1982. Now the situation has changed. Islam has clearly emerged as a rallying cry and a pure line of struggle. Both from a position of legal authority and Islamic allegiance and from that of an experienced man observing affairs, we ask all the forces to unite under the banner emblazoned with "There is no God but God, and Muhammad is the messenger of God." If this rallying cry is accepted and people's intentions are good, the defeat and departure of the occupiers will become a very easy matter.

## The Jews Are the Enemies of the Christians

[Question] Are there nationalist Christians willing to undertake nationalist, Islamic resistance to the occupation?

[Answer] Unfortunately, we say that the Jews are the enemies of the Christians even more than they are the enemies of the Muslims. Indeed, they are enemies of all humanity. However, we have found that the party that most faithfully, or shall we say most dictatorially, expresses the views of the Christians in Lebanon is the Phalange Party. It has sanctioned and indeed been of the opinion that cooperation with Israel in the confrontation with the Muslims is a necessary strategy for maintaining its own existence. This is very stupid, because Israel is the enemy of all. This position is also a shattering blow to what is called national unity.

The Phalange Party expresses the opinion of the Christian majority, and it allows no one else to express freely a view conflicting with its program and policy. Of course, we confirm that there are Christian organizations, associations, and personalities who oppose the Phalange more fiercely than the Muslims themselves, but several things keep them from expressing this. The most important factor is Phalangist pressure and power. Moreover, they are prevented from emerging by the fact that they are not united by a common name or common leadership. Thus, cases of opposition remain individual or semi-individual. They still have not been transformed into a national phenomenon. We have a great deal of hope that this group will be able to express itself and break the yoke the Phalange has forced on it, so that the fight against Zionism will take on its necessary humane and international dimension.

[Question] What about the partial withdrawal? Sayda will be its first station.

[Answer] The goal of the partial withdrawal in the mountain was to create a security gap, so that war would break out among the Lebanese. Israel is plucking the fruits of the war and confirming that the calculation done in the field does not agree with that done on the threshing floor. The Phalange Party suffered a heavy blow in the mountain. It is Israel's closest ally.

Now in Sayda, we think Israel is making a thousand calculations for a partial withdrawal, especially since it seems that this withdrawal will not give it what it wants: a Phalangist victory over the Islamic and nationalist forces. Israel may be threatening to conduct a partial withdrawal in order to worry the mind of the Lebanese state, but behind this threat it is hiding great fear and worry about what it is tasting in Sayda. Given the things we have mentioned, we confirm that any withdrawal, no matter whether it is partial or comprehensive, will be due to the great losses and constant fear experienced by the occupation forces. We will not credit any other justification, especially since many of the enemy's leaders have stated as much and demanded the withdrawal of the Israeli army, because the south has changed into a tomb and a blazing fire for the enemy's army.

[Question] What about the position of the Lebanese authorities?

[Answer] We regret the information role played by the official media in Lebanon, for it covers up the facts, prominently displays lies, and distorts events. We are sorry that the state, along with its army, media and institutions, has changed into a party making war against the Muslims in this country. We regret that the Israeli army cursed the prophet of Islam while arresting Shaykh Muharram. At the same time, the Lebanese soldiers were cursing Islam, its people, and its sons, while conducting their latest barbaric arrests in Sabra and Shatilla. This followed a security play in which they claimed they were filling a security vacuum that really existed only in their minds. We are sorry that about 80 victims died as a result of the recent bombing of the southern suburb of Beirut. The army claims it is playing its role and doing its duty. We are even sorrier that the Arab and Islamic states are cooperating with the government in Lebanon on the basis of the notion that it is for all Lebanese. They are deceived by the fact that it got 77 votes in the Chamber of Deputies. They have not realized that the government bared its fangs and disclosed its true character in the war against the Muslims in particular and the nationalists in general. This became clear in the mountain war, the storming of West Beirut, and the bombing and encirclement of the southern suburb. We turn to the Arab rulers and media and ask that they deal with the events in Lebanon in a manner different from that of the official Lebanese media. We turn to the mediators, representatives, and delegates and ask them to learn about the facts by contacting the various segments of the people and by listening to the credible voices of truth, so that they will form a clear idea of what is happening in Lebanon in general and in the south in particular. We think their willingness to learn about the situation via the Lebanese government alone is an unforgivable betrayal of Islam and the Muslims.

12224

CSO: 4404/321

# ROLE OF CENTRAL BANK IN SUPPORT OF POUND

Paris AN-NAHAR ARAB REPORT & MEMO in English No 6, 6 Feb 84 pp 3-5

[Article: "Bank of Lebanon Can Defend the Pound"]

[Text] The Bank of Lebanon is fully capable of containing and neutralising mounting pressures on the exchange value of the Lebanese pound, according to Nassim Saliba, a former member of the Banking Control Commission at the Central Bank. Analysing pressures on the pound, which recently brought its exchange value *vis-à-vis* the dollar to an all-time low of LL 5.97 in the second week of last January, Mr Saliba stressed that the depreciation of the pound was caused mainly by the deficit on the balance of payments in 1983 which he estimated to be \$1.2 billion.

This estimate is some \$150 million higher than earlier figures. Mr Saliba attributed the deficit principally to the deterioration in security in Lebanon, and particularly the violent clashes in Mount Lebanon between right-wing Christian forces and Druze militias in the last quarter of the year.

Mr Saliba underlined the Central Bank's ability to contain pressures on the pound as evidence by continuous financing of the balance of payments deficit. His analysis was based on monetary and banking statistics available, which cover the period up to the end of November 1983.

These statistics reveal that total credit extended by the banking sector rose by close to 29 per cent during the first 10 months of 1983. The increase for the year as a whole is estimated at 31 per cent, compared with 39 per cent in 1982. The larger part of the

increase consisted of increased credits to the private sector (by 31 per cent during the first 10 months of 1983 compared with 21 per cent in 1982). These loans have in turn been largely caused by the accumulation of interest on outstanding credits.

The figures also show an increase in loans in foreign currencies due to the depreciation of the Lebanese pound. When the effects of interest accumulation and depreciation of the pound are excluded, the real increase in credits to the private sector would have attained the 1982 level, which was depressed due to the Israeli invasion and its effects on the general economic situation.

The increase in credits extended by the banking sector to the public sector was considerably less than the 1982 level, according to Mr Saliba. For the first 10 months of 1983 the increase was of the order of 30 per cent, and

for the year as a whole it is estimated to have reached 38 per cent, compared with 82 per cent in 1982. Accordingly the public deficit which was financed through bank credit amounted to LL 4.1 billion at the end of November 1983. The deficit is expected to have risen to LL 6.4 billion at the end of 1983, compared with LL 6.2 billion at the end of 1982.

Net Central Bank claims on the public sector have therefore risen from LL 2.7 billion at the end of 1982 to LL 5.6 billion at the end of 1983, while commercial banks claims on the public sector reflecting subscriptions by these banks to Lebanese government Treasury bills rose from LL 12.3 billion at the end of 1982 to LL 15.8 billion at the end of 1983.

Mr Saliba outlined two noteworthy observations in this respect. One was that despite the massive deterioration in the security situation in 1983, the size of the deficit was almost equivalent to that of 1982.

The bulk of the deficit was accumulated in the second half of 1983 and specifically in the last quarter of the year. Had it not been for these security developments the state deficit would have narrowed significantly in 1983, at least inasmuch as customs receipts increased during the year after the Lebanese army moved in and took over control of the illegal ports along the Lebanese coastline and the Fifth Basin at Beirut port.

Mr Saliba also noted that unlike previous years the increase in credit was the primary factor contributing to the rise in domestic liquidity which rose from LL 49 billion at the end of 1982 to LL 59 billion at the end of October 1983, a 21 per cent increase compared with a 20 per cent rise in 1982. If the effect of the increase in foreign currency deposits were to be excluded from domestic

liquidity, the increase during the first ten months of 1983 would amount to 25 per cent compared with 73 per cent in the whole of 1982.

The smaller increase in liquidity in Lebanese pounds is attributed mainly to the deficit in the balance of payments and the subsequent contraction that ensued from the Central Bank's intervention in the foreign exchange market to buy dollars to finance part of the balance of payments deficit.

The most significant monetary development in 1983, according to Mr Saliba, was the deficit, registered for the first time, on the balance of payments. Monetary statistics indicate that the deficit amounted to LL 1.2 billion. Most of this, or an estimated \$700 million, came in the second half and more specifically the last quarter of the year following the outbreak of sectarian clashes in Mount Lebanon and the Shuf. The deficit coincided with a marked increase in public spending. Mr Saliba attributed the deficit to three principal factors:

- General economic difficulties, lower exports and a drop in production intended for export;

- The drop in remittances from Lebanese workers abroad, partly due to prevailing insecurity, and partly due to narrowing business opportunities in countries where Lebanese expatriates are employed or self-employed, particularly in the Arab Gulf states where the economic recession was at its worst;

- Increasing external spending by the Lebanese government and transfers of holdings from the Lebanese pound to dollars and other foreign currencies.

Mr Saliba revealed that two-thirds of the deficit was covered from the Central Bank's reserves of foreign currencies while the rest was covered from the domestic exchange market.

The worsening economic situation and the deficit in the balance of payments, Mr Saliba said, have led to a gradual slide in the exchange value of the Lebanese pound *vis-à-vis* the dollar and other major foreign currencies. Although signs of economic recession were apparent early in the year and the deficit in the balance of payments started to build up later, the depreciation of the Lebanese pound remained relatively limited in the first half of 1983.

Its exchange value against the dollar dropped by only 11 per cent during that period, a reasonable drop when one considers the strength that the dollar had registered against major currencies in external markets during this period. Fears stemming from the sudden breakdown in security in the summer of 1983 led to massive shifts by depositors from the Lebanese pound into the dollar and other foreign currencies and a transfer of deposits to banks outside Lebanon.

The pound, sharply affected by these developments, dropped 27 per cent between June and December 1983. The depreciation of the pound during that period was not however directly linked to the balance of payments deficit which was almost wholly covered by the Bank of Lebanon.

Political fears were a major contributor last month to the success of a spate of classic-style speculative operations that brought the exchange value of the pound to LL 5.97 to the dollar, Mr Saliba said. Central Bank intervention, in Mr Saliba's assessment, has curbed the sharp rise in the value of the dollar on the Beirut market. Such intervention took the form of tightening liquidity and raising interest rates. Most speculators liquidated their dollar positions to and took their profits while savers sustained considerable losses.

Given the present circum-

stances, predicting the future of the Lebanese pound is a difficult task, in particular because Lebanon will maintain freedom of currency exchange at any cost, Mr Saliba said. He emphasised, however, that the price of the pound is currently at artificial levels, if one considers the present economic conditions and the Central Bank's ability to contain pressures on the pound originating from the deterioration of Lebanon's external trade balance. This is evidenced by improvements in the exchange value of the pound with every amelioration in security, Mr Saliba noted.

The exchange value of the pound, Mr Saliba said, is doubtless linked to the goods and services account under the balance of payments. Classic measures cited by Mr Saliba to correct balance of payments deficits include reducing demand by curbing bank credit enhancing exports and currency devaluation.

In Lebanon, bank credit is adequately restrained by the prevailing recession and insecurity. The state deficit, on the other hand, would doubtless persist due to the present circumstances and public expenditure requirements. The deficit could be narrowed, however, by cutting non-urgent spending, Mr Saliba suggested.

Drawing on principles of trade theory, Mr Saliba said there are special features to a floating currency system. These were basically the automatic adjustment process by which a deficit on the balance of payments leads to the depreciation of the local currency, which in turn curbs imports and increases the competitiveness of exports. The depreciation of the local currency also induces transfers into Lebanon which also contributes significantly towards correcting the deficit on the balance of payments.

In conclusion, Mr Saliba said

no forecast of Lebanon's balance of payments could be made at this early stage. He emphasised, however, that there were positive factors which are expected to safeguard the position of the Lebanese pound. These include the automatic process of adjustment whereby the depreciation of the Lebanese pounds leads to a fall in imports and a rise in exports which would reduce the trade deficit.

Mr Saliba also referred to the Bank of Lebanon's large reserves of foreign exchange which will make it possible for the Central Bank to continue to intervene in the market to stabilise the value of the pound. There was also, he said, the possibility of increasing the interest rate paid on deposits in Lebanese pounds, at present on a par with interest on dollars. Efforts to obtain foreign aid, if successful, would also have a positive effect on the pound's value, Mr Saliba declared.

CSO: 4400/173

## COUNTRY'S INDUSTRIAL EXPORTS FELL IN 1983

Paris AN-NAHAR ARAB REPORT & MEMO in English No 4, 23 Jan 84 pp 12-13

[Text]

For the third year running, Lebanese industrial exports were lower than the LL 2 billion recorded in 1980. According to monthly statistics published by the General Directorate for Industry, total industrial exports during 1983 amounted to LL 1.297 billion compared to LL 1.928 billion in 1982, a drop of 32.72 per cent in nominal terms. (The exchange value of the Lebanese pound averaged approximately LL 4.35 to \$1 during 1983.)

This figure, however, does not include exports from the south, the north or the Bekaa. According to the Beirut newspaper *An-Nahar*, the figure for industrial exports would probably be closer to LL 2.5 billion if exports from these areas had been taken into consideration. A clearer picture should emerge once the Centre for Documentation and Economic Studies at the Beirut Chamber of Commerce and the General Directorate for Customs have published their own statistics.

The General Directorate of Industry is thought to supply about half of all certificates of origin for industrial exports with the other half coming from Chambers of Commerce in Beirut and other governorates.

It is clear that the poor security situation which prevailed during the second half of 1983 was

the main reason why industrial exports fell by 15.7 per cent during the second half of 1983 compared to the first half of the year. First half exports were put at LL 703.8 million against LL 593.2 million in the second half.

Outbreaks of violence halted industrial production in most areas of the country, especially in the north, south, and in areas on Beirut's southern periphery. Transportation inside Lebanon and between Lebanon and Arab markets, notably Iraq, was severely hampered by political pressures.

Industrialists became wary of entering into export contract commitments, especially after the closure of Beirut's international airport and the growing uncertainty of overland routes. This situation was reflected in the closure of some factories as well as declining production levels. Another major factor affecting industrial exports was the Iran-Iraq war which effectively wiped out the Iraqi market for Lebanese goods. The drop in the value of exports to Iraq because of the war is estimated at LL 652 million.

Exports were also affected by the increase in the cost of production factors such as labour, transport, insurance and fuel. In addition, the rising value of the dollar has led to a corresponding

Value of Lebanese industrial exports  
(LL thousands)

Country	1983	Per cent of total	1982	Per cent of total	Percentage change
Saudi Arabia	795500	61.34	659787	34.2	20.5
Iraq	119066	9.18	771474	40.0	-48.5
Jordan	91656	7.06	132269	6.9	-30.7
Syria	65554	5.05	90096	4.7	-27.2
Kuwait	59052	4.55	76682	3.9	-23.0
Egypt	36289	2.79	13906	0.8	160.9
Abu Dhabi	15433	1.20	19786	1.1	-22.0
Libya	13786	1.06	1447	0.07	752.7
Other Arab countries	42477	3.27	44693	2.3	-4.9
Total Arab countries	1238813	95.48	1810140	93.9	-31.5
Africa	575	0.05	2305	0.1	-75.0
Western European countries	20367	1.57	31543	1.63	-35.4
Eastern European countries	14461	1.12	31548	1.63	-54.1
North America	22593	1.74	51173	2.65	-55.8
South America	212	0.02	42	0.002	404.7
Japan	-	-	1102	0.06	-
Grand Total	1297021	100	1927861	100	-32.7

increase in the cost of imported raw materials.

### Export markets

Arab markets remained the most important for Lebanese exports. The value of exports to Arab countries amounted to LL 1.239 billion, 95.48 per cent of overall industrial exports compared to 93.9 per cent in 1982. Total industrial exports to Arab countries fell by 31.5 per cent in 1983 in comparison with 1982.

- Saudi Arabia: Industrial exports were worth LL 795.5 million in 1983, a 20.5 per cent rise over 1982. They represented 61.34 per cent of all industrial exports, largely due to the decline in exports to Iraq.

- Iraq: Industrial exports were worth LL 119 million compared to LL 771 million in 1982, a drop of 48.5 per cent.

- Jordan: Industrial exports were worth LL 91 million compared to LL 132 million in 1982, a drop of 30.7 per cent.

- Syria: Industrial exports were worth LL 65.554 million, a

drop of 27.2 per cent.

- Kuwait: Industrial exports were worth LL 59 million, a drop of 23 per cent.

- Egypt: Industrial exports were worth LL 36.2 million compared to LL 13.9 million in 1982.

- Abu Dhabi: Industrial exports were worth LL 15.4 million, a drop of 22 per cent.

- Libya: Industrial exports were worth LL 13.7 million, rather more than in the previous year.

- Other Arab countries: Industrial exports were worth LL 42 million compared to LL 44.6 million in 1982.

- EEC countries: Industrial exports were worth LL 20.3 million compared to LL 31.5 million in 1982.

- East European countries: Most important were Hungary, and Bulgaria which purchased industrial goods worth LL 14.4 million.

- North America: Industrial exports amounted to LL 22.5 million of which LL 21.4 million were to the US. Industrial exports to this area dropped by 55.8 per cent compared to the previous year.

CSO: 4400/173

# CHALLENGES FACING LOCAL INDUSTRIES

Paris AN-NAHAR ARAB REPORT & MEMO in English No 6, 6 Feb 84 pp 2-3

[Article by Marwan Iskandar: "Lebanon's Industries: Crucial Days Ahead"]

[Text] Economic conditions have difficult in Lebanon and have grown worse in the past few months. The situation has become so serious that questions about the viability of enterprises have become pressing. One of the latest developments clearly shows that remedial action must be taken in the coming two weeks or else industrial closures could snowball with harmful effects for Lebanon, employment in the country and the potential for industrial revival.

The Association of Industrialists of Shweifat has declared its intention to close factories in the area as of February 15, 1984 unless security conditions improve to the point where free access for labourers, industrialists and products is assured without interruption or delays.

According to the Association, there are 100 plants in the Shweifat area. In 1975, they represented 22 per cent of Lebanon's total industrial capacity and employed 30,000 workers. Due to recent troubles, particularly the fighting in the mountains during last summer when Shweifat became a war zone, many plants have already closed, reducing the total number of employees to around 14,000. This number still represents about 25 per cent of the total working

population in the industrial sector in Lebanon which has fallen from a peak of 130,000 workers in 1975.

Most serious of all, the Shweifat industrialists are ready to submit bankruptcy papers to the relevant Lebanese courts by mid-February. This would mean that a select list of important industrial plants, many of which have been re-equipped since the outbreak of the Lebanese war would become defunct. It would be very difficult to reactivate industrial plants once they have been closed. The loss would mean a further significant reduction in Lebanon's industrial potential already half destroyed in the last nine years of fighting.

The effect on the banking sector could be significant as many

of these enterprises have secured their working capital and in many instances long-term loans for expansion from Lebanese banks. Of all economic sectors, the banking sector has remained the most active in the Lebanese economy and has expanded on the local and international levels during the years of crisis. This sector cannot be allowed to suffer difficulties as a result of the deteriorating economic situation without the risk of triggering a severe crisis in the economy as a whole.

In the past 10 months, Lebanon has been living constantly with latent crises and the continued functioning of its economy has depended on two major factors; on the one hand, the Lebanese have remained innovative, hard working and ready to commit all their resources for continuity in the hope of peace and revival; on the other hand, the Lebanese government has supported industry by ensuring the availability of soft loans and has helped the economy by implementing such projects as could be executed in spite of deteriorating security conditions.

However, this latest development poses a concrete threat to the continuity of the industrial sector not only in Shweifat but in Lebanon. If the Shweifat industrialists choose to close shop and to renege on outstanding loans, it would encourage other industrialists facing comparable problems to take similar steps. The process could snowball in a manner that would drag the Lebanese economy down to depths of desperation that have not been witnessed until now.

By contrast, if the conditions of security for work in the Shweifat area were fulfilled, a marked improvement would come about in the political and economic climate of Lebanon. This area is strategically located *vis-à-vis* the airport and the ownership of various industrial enterprises in it is mixed between members of dif-

ferent sects of the Lebanese population. Also, workers in these factories come from some of the most deprived areas of Beirut and loss of their jobs could only lead to political polarisation and further armed strife.

For these reasons, it is of the utmost importance to create a solution that would meet the immediate needs of industrialists in Shweifat, who cite security as their highest priority.

During the whole course of the Lebanese war, economic losses were absorbed with tolerance and partially compensated for by resilience. At no time did economic considerations play a significant role in pressing different political groupings towards reconciliation. In fact, relocation of some industries and industrialists and massive relocation of labour were instruments of adjustment to the conditions of war in the country. But now it seems we are at the end of the road. Economic needs call for political reconciliation or at least implementation of the long-discussed security plan.

If the Shweifat situation is not resolved, Lebanon will face significant pressures on its banking community and on the exchange value of its currency together with the risk of further widespread fighting. On the other hand, a successful resolution of this situation could spell the start of national reconciliation and could prove durable because it is rooted in the needs of people for work, employment, production and income. Lebanon cannot wait very long for this situation to be resolved and the policies adopted will be a guide to expectations of the future. Either we have black and cloudy days ahead or we succeed in clearing the atmosphere and paving the way for regained confidence that would be necessary for attracting investment into Lebanon and increasing exports to the Arab countries in the not-too-distant future.

PEOPLE'S DEMOCRATIC REPUBLIC OF YEMEN

TWO OFFICIALS QUESTIONED ABOUT DEVELOPMENT PROGRESS

Kuwait AL-TALI'AH in Arabic No 827, 1 Feb 84 pp 42-45

[Article by Rabi' Muhsin: "Democratic Yemen: a Report with Pictures about Democratic Progress and the Revitalization of Land and People"]

[Excerpt] When I was in al-Makla, which is the regional capital of Hadramut, I was taken at first by the simplicity of the town. It is a simplicity that is reflected on the simplicity of the Yemeni people as they try to lead a life of freedom. What caught my attention was a sense of hope. One finds there people trying to build for a better future. [That is what I found] when I visited the new port of Khalaf, whose construction is being overseen by a Belgian-Swedish company. This is a project that is funded by the IBRD and the Kuwaiti Development Fund. Afterwards I also visited the fish canning factory. It is known that fish resources constitute the country's primary economic resources. However, the greater utilization of this resource still requires a great deal of investors' funds.

These fleeting visits had reinforced in my mind [the need to] search for more economic information about this good country that is located in the southern corner of the Arabian Peninsula, struggling for its livelihood and for its right to survive.

When I left al-Makla on my way to Aden my eagerness to find out more information about this country had begun taking over my thoughts. I was becoming more interested in getting this information and looking for it. It so happened that on the following day we visited one of the economic institutions. That was a favorable opportunity for me to ask many questions. This was a visit to the governorate of Ibin, the birthplace of the current president of Yemen.

To me that visit was a favorable opportunity to see the Ibin Fair where numerous industrial, professional and educational achievements were on display.

With National Experience

We left the fair on our way to the Agricultural Research Center, (AL-KUD). I was accompanied by a number of Arab and foreign journalists.

We met Dr Shafiq Muhsin 'Ata who gave us a brief and a general historical overview of that center.

Dr Shafiq said, "This center was established in 1955 in the days of British colonialism. At the present time it is one of the largest agricultural centers. When it was established before the Revolution, its aim was to conduct some scientific research on the cotton crop that we cultivate, since the cotton we grew was exported to factories in Manchester, Britain where it was manufactured.

"After national independence the government devoted considerable attention to this crop. In fact, it expanded research in other scientific areas such as that of foods that are necessary to provide food security in our country. The center's 3 departments were expanded to 12, and we are now replacing foreign experts with native experts. The center broadened its activities beyond agricultural research to include preventive operations, agricultural industries, environmental studies and other areas.

"This research is strictly applied research; in other words, the center has not entered the field of academic research."

Dr Shafiq said, "The center is playing a leading role in the development of our country. It is providing the scientific conditions for building a few agricultural industries and their products. In turn, these would provide the foundation of production for any economy that relies on central planning. The textile plant is one example of such industry where the (AL-KUD) Center played a major role in getting the plant to be operational and preparing positions for workers. The tomato [processing] plant is also one of the achievements of the center which had previously devoted attention to tomatoes, stressing the importance of growing good varieties of tomatoes that can be processed. The center also contributed to the process of providing protection for some crops such as wheat and devoting attention to them. It also devised solutions to protect crops from plant epidemics."

Dr Shafiq indicated that the center was trying hard, in its capacity as a high-level agricultural advisory body, to prepare practicing farmers for more experimentation in this economic mode. The center is relying on two fields in farming: an experimental one and an applied one.

#### Regulating Resources and Ambition

That was the meeting we had at (AL-KUD) Center in the governorate of Ibin. I did, however, get enough information to provide me with a measure of comfort in my efforts to find out about many of the things that I still did not know about in this developing country.

It is being said that human needs are unlimited and that the need for knowledge is one of those unlimited needs. That was my incentive in visiting one of the principal establishments in the country. My next visit was to the Ministry of Planning where I met with Dr Ahmad 'Abd-al-Sadiq, deputy minister of planning. Mr al-Sadiq was ready to answer all my questions, and I started asking him all the questions that came to mind. I started by asking him the following question about how Yemen was getting along under difficult conditions and with modest economic resources and financial revenues most of which were coming from friendly countries and from Arab and international economic institutions such as the Kuwaiti Fund for Development, the Abu Dhabi Fund and the IBRD. I also asked him

about the difficulty of providing labor since Democratic Yemen is a developing country that is suffering from the emigration of its people. Many Yemeni workers are leaving the country and going to neighboring and foreign countries. [I asked], "What specifically do you see in this country's economic future?"

[Dr Ahmad 'Abd-al-Sadiq said], "The experience of Democratic Yemen is actually one that is undoubtedly clear. Democratic Yemen is relying on central planning in many of the questions for which we are trying to find solutions. We inherited a difficult and a burdensome legacy from British colonialism; it is that legacy that undermined the economy as well as public economic institutions.

"The principal strategic objective for development is to create an economy of production, or specifically to effect a shift from a services economy, which has been the principal feature of the economy since the days of the British, to a production economy that depends on a base of production."

We notice that in the past decade most development projects were concentrated in basic infrastructure projects: roads, irrigation projects, land reclamation, communications and transportation, and social services such as health and education. In addition, new production capabilities were put into operation during that period, but the conditions of the country and its harsh nature have had an effect on the development process. However, we can focus on two principal points that impede development.

First, Natural Resources:

It is known that manufacturing requires raw materials and numerous natural resources, and these are available in Yemen in modest quantities. If they were abundant, they would help push the process of development and planning forward.

Second, a Trained Labor Force:

The country used to depend in the past on trade and services. We notice there was a major shortage in production projects with respect to the use of technology in industry or farming. And here many efforts must be made to train the labor force and get workers ready for production operations. This is a problem that is facing development, and it is due to the social cost of training these professional and technical personnel.

In spite of all that, a record large development was achieved in the country's national revenues and GNP. The standard of living rose significantly, and that is attributed to the implementation of centralized planning.

This matter is convincing the government that the plan it is pursuing, despite difficult conditions, makes resorting to a socialist solution for society a better way to solve many of the questions of social backwardness [in the country].

Revitalizing People

[Question] I noticed that you focused on one positive point only, and that is people's standard of living, which rose as a result of implementing the central plan policy. But are there other positive points in other areas such as industry, for example? And how much progress has been achieved there?

[Answer] The GNP did, of course, rise in recent years, and many products that are produced locally in the country have become evident.

Most projects depend on the use of local raw materials or the use of materials to manufacture general consumer goods to make up for imports. This of course led to a good return as far as reducing the deficit in the balance of payments is concerned.

In addition to putting workers to work and acquiring sophisticated skills, which constitute the foundation for the future, there are designs for the cement industry and the glass industry that are still under consideration. These depend on a larger volume of production to cover the needs of the local market and also the market abroad if possible. We may say that prospects for our industry will soon become evident.

[Question] With respect to funding industrial projects, does the plan depend on loans from countries or from Arab or international funds?

[Answer] As far as funding is concerned, the state depends on loans from countries, from international organizations or from Arab development organizations such as the Kuwaiti Development Fund, the Abu Dhabi Fund or the Arab Development Fund. Our economic projects need this funding, and they need to have hard currency available so that technology can be transferred to our country for development projects.

[Question] Development in a certain country is not always measured in terms of that country's industrial or agricultural development as much as it is measured in terms of the change or development of its people. What has the country accomplished in this significant aspect, or what are the gains that were achieved for Yemeni citizens by the Revolution during the past decade?

[Answer] As far as the people are concerned, the Revolution did a great deal for them. Without people we would not be talking about development. In this regard development plans devoted considerable attention to the training of individuals to provide them with their basic requirements including social services. These social services--schools, hospitals and public services--provided Yemeni citizens with vocational and professional training opportunities. Without these principal components citizens could not do their part in pushing the wheel of development forward.

[Question] About housing, would you shed some light on what is happening with regard to this vital demand for citizens?

[Answer] The demand for housing must be met. However, because of circumstances that the state is facing, there are some difficulties in providing housing for citizens. It is known that the supply of housing does not yield to change in a short period of time. A long period of time is required for that. Serious efforts are being made to solve this shortage in housing. There is a plan to build 6,000 residential units (apartments) as part of the second 5-year plan. Work on these units was begun in 1981: some of these apartments have been turned over to citizens; and the rest will be turned over in sequence as they are finished. Compared with previous figures, this is considered a different step forward that emphasizes the government's concern with providing housing for citizens.

[Question] About the 5-year plan whose implementation was begun in 1981, is it being implemented? How far has it gone? And what are its errors or its strengths so these can be verified and changed?

[Answer] It is known that before any plan is laid out, the preceding plan has to be analyzed and evaluated. The directions of development in the subsequent plan are determined while the current plan is being implemented. For example, another review period begins when ideas are laid out for the preparation of the third 5-year plan. This plan is supposed to begin early in 1986. This is done by finding out the weak points or failures and correcting them in future plans.

[Question] About the transfer of technology, does this technology help raise the standards and capabilities of workers here or what?

[Answer] At the present time we are trying to train Yemeni workers on machines at production sites. Workers are either trained directly or by means of specialized supervisors. We may call this a modest experiment since we have agreements with countries that are giving us this technical assistance to provide us with supervisors who would train our workers so they can be prepared to assume their essential roles in the process of production. In some cases the training period may be prolonged as needed.

#### New Laws for Investment

After listening to what Dr Ahmad 'Abd-al-Sadiq had to say, I had to leave to keep my appointment with Mr 'Abdallah 'Abdan, Yemen's deputy minister of planning. There I met my fellow journalists who were also waiting for Mr 'Abdallah. These journalists worked for the Lebanese newspaper, AL-SAFIR, and there was a female fellow journalist from the French News Agency. As soon as the deputy minister arrived, we started talking with him about Yemen's economic environment. We focused on how Yemen's economy was progressing on the basis of promoting investments, and we asked if there were trade or economic laws to encourage that.

He replied, "We can say that Law No 25 for 1981 promoting investments is the law that is now in effect, even though it has been around for a short period of time. The previous law concentrated on the industrial sector, but this new law opened the country to investments in many sectors. In other words, it expanded the area for investments. But the new law is still in its infancy. Since 1982 we have been going through a period of preparation, and we have been implementing the rules and executive provisions of the law. This law gives Arab and foreign investors some kind of confidence. At the present time we are conducting some foreign communications to get these funds into our country. We are trying to encourage local investors to invest their funds in the country, giving them some privileges, including exemption from property tax and from the income tax. This is noticeable among Yemeni investors who had left the country and gone to the Gulf states. But the investments made by Yemenis coming from foreign countries like Britain, take on another nature. These Yemenis invest in national projects such as the establishment of schools, roads or other projects that have no economic return. It is the Yemenis who come from the Gulf states who make organized investments in the development of economic institutions, such as small industries (sponge, aluminum or cleaners such as soap), and also in the construction materials industry. But as far as the law is concerned, time is needed to understand this law and also to provide an atmosphere of confidence for investors.

## The Delegation of the Council of Cooperation Visits

He added, "A delegation from the Council of Cooperation visited us, and we made several suggestions at their request. Members of that delegation made us feel that it would be possible to coordinate between the financing possibilities that are available from the countries of the Council of Cooperation. We shared views in some areas, and at the present time we feel hopeful. As a result of the visit we were asked for a number of details about the projects."

On the Arab scene there were projects in the area of fish resources, and a joint Yemeni-Libyan company was formed. With the conclusion of this modest report about some economic activities in the People's Democratic Republic of Yemen, [I will say that] I hope I did provide the minimum amount of information about a country that has always been striving toward social and economic progress. This is a wish that Arabs have in the wake of present deteriorating conditions.

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CSO: 4404/307

MUJAHID LEADER TALKS ABOUT 'UNRELENTING JIHAD, SOVIET BRUTALITY'

East Burnham ARABIA THE ISLAMIC WORLD REVIEW in English No 29, Jan 84 pp 22, 23

[Text] "We do not recognise the Karmal regime. We will not negotiate any settlement with it. We may have negotiations with the Russians, but that is possible only when they withdraw their troops from our country," said Hashim Mujaddidi, the Mujahid leader who is one of the leading figures in the jihad waged against Russian imperialism in Afghanistan for the last four years. He is the brother of Sibghatullah Mujaddidi, the leader of a group of Mujahideen who are now fighting for the independence of their country within the Islamic Alliance of Afghani Mujahideen. Hashim has emphasized the need to make every effort to bring about unity in the ranks of the Mujahideen in order to develop a suitable strategy by which to oust the communists from their land.

Hashim Mujaddidi comes from a Sufi family whose roots lie deep in the highly religious Afghan society. His family has suffered at the hands of communists, especially after the Russian invasion. Seventy members of his family were put into prison in 1980. Later the women were released, but the whereabouts of the men is still unknown.

Describing the Russian brutalities, Mujaddidi said: "The Russians kill our men, rape our women, burn our crops and destroy our villages." He cited the brutal Russian offensive which took place near Herat last year. "Nearly 2,500 houses were bombarded by the Russians for two days. Some 1,000 were destroyed completely, and children were butchered."

According to Mujaddidi, the communists have tortured Afghans in order to control their resistance. He added: "They also use chemical weapons, napalm and cluster bombs on a large scale, and force people to work against the Mujahideen by taking their families captive. They design mines in the forms of toys and dolls to trap children and kill them. They are worse than the wildest animals."

Mujaddidi emphasised that the Afghan people's fight against invaders was an old one; they have been struggling against anti-Islamic forces throughout the centuries. They fought British imperialism, and fought so bravely that the British, referring to any person who had disappeared in Afghanistan, used to say: "He has gone to Kabul." The implication was that whoever went to Kabul never returned. The current jihad, Mujaddidi asserted, was an extension of earlier resistance.

"When the jihad began," he explained, "people elsewhere thought that the turban-clad, bearded, ill-equipped and ill-trained Afghans would soon give in. But anyone who knows the history of the Afghan people must realise that they have fought against nations much stronger, more powerful and better-equipped in the past, and on every front they have outclassed enemies."

"Now," he said, "we are fighting against one of the greatest powers, which possesses the most sophisticated and effective weapons. We are fighting with old rifles, with rifles which fire one bullet at a time, with rifles which are even loaded through the barrel and with rifles which may even splinter while firing. We are fighting even with stones sometimes."

He described the way small children work as vanguards of the Mujahideen. "These small children throw mud at the tanks, making it impossible for the man inside to see. Once he loses his sense of direction, the Mujahideen pounce on the tanks and either capture them or destroy them."

Mujaddidi praised those Muslim countries, including Pakistan, Iran, Saudi Arabia and Egypt, who have given moral or material support to the Afghan refugees and Mujahideen. But he emphasised that more aid is required. He explained that many of the Mujahideen's weapons were captured from the Russians. Sometimes the Mujahideen buy rifles and machine guns in the black market at higher-than-normal prices. "We need more arms," he stressed.

Replying to a question about the advantageous position of the Mujahideen operating from inaccessible mountainous terrain, he said that the Mujahideen were also involved in fighting on the plains, where nature does not provide any hiding place. In Qandhar and Herat, where no mountains surround the cities, the Mujahideen have been successfully carrying out their jihad. "The motivating factor is Islam, which has given them confidence, determination and courage," he added. "As a result, we fight wherever we find the enemy."

Due to the courage of the Mujahideen, the Russians will never be able to control more than 10 per cent of the total area, claimed Mujaddidi. "Nearly 90 per cent of the Afghan territory is held by the Mujahideen or ruled by Afghan people in cooperation with the fighters."

Commenting on the presence of various factions among the Mujahideen, the Afghan leader explained: "There are two main alliances, both working under the name of the Islamic Alliance of Afghan Mujahideen. One includes Sibghatullah Mujaddidi, Rabbani and Sobhani, while the other includes Abdur Rabbur Rasul Sayyaf. There is also a regional basis for the existence of various groups. For example, Afghan refugees who are living in Iran are mostly Shias, and they are supported by the Iranian government. Similarly, Afghans living in Peshawar are supported by the people and government of Pakistan. They do not object to coordination of their efforts, or any exchange of assistance. Various groups of the Mujahideen have come to an agreement about the division of areas and responsibilities in the battlefield."

Mujaddidi said that Sufism has also had a great influence on the jihad. Afghans belonging to Naqshbandia and Qadriya Sufi orders are represented in

the two alliances, and have been fighting with full enthusiasm and vigour. However, he said, efforts to bring about unity should continue. He hoped that soon the various Afghan groups would come together under one leadership.

He also said that sometimes disunity among the Mujahideen was exaggerated. The world Press gives prominence to unimportant Afghan groups who have some grudge against the Mujahideen, he claimed. Sometimes Kabul government agents enter the Mujahideen ranks to try to create confusion and give the Mujahideen a bad image among.

He appealed to the Muslim world to help all the Mujahideen groups fighting for Islam. "They should not give help to any one special group; rather, all the groups should be encouraged alike to continue this noble task."

Mujaddidi also appealed to the Mujahideen to forget their differences in order to form a single organisation to strengthen the jihad in Afghanistan. "Nevertheless," he declared, "the differences are internal matters of the Mujahideen, and they are quite normal in an emergency situation. The outsider must not play them up, must not make capital out of them," he warned. He also said that the differences were not ideological. All the Mujahideen are fighting for Islam and against the invading communist forces.

Replying to a question about the slow response towards the communist danger in Afghanistan during the Zahir Shah regime, he said that the anti-communist movement had always existed in Afghanistan. When the leftists started gaining control, the ulema and Muslim leaders constantly tried to mobilise public opinion against them. "During the regime of Zahir Shah, ulema held a conference in the mosque of Kabul for several days and warned the government of the communist threat. The ulema regularly delivered Friday sermons against Marxism and state policy. Many of them were put behind prison bars and many were beaten," he explained. "Their efforts could not succeed because of the government policy."

Mujaddidi appreciated the efforts Pakistan has been making in hosting Afghan refugees. But he added: "The government of Pakistan cannot represent the Mujahideen in any negotiation. We understand the pressures Pakistan has at present as a result of the refugee influx, but the political destiny of Afghanistan is in the hands of Afghan Mujahideen, and they have the right to speak for themselves."

Criticising the pro-Moscow elements in Pakistan, he said that they were not sympathetic to the jihad and were against any move that might jeopardise Russian interests in the region.

Mujaddidi concluded that the Muslim Press has a special responsibility towards Afghanistan. "We have not seen teams of reporters from the Islamic Press, while we saw many western journalists. The Press should have its perspective in covering the jihad, so that the world may know about the Mujahideen's determination and the Russian brutalities in an objective manner," he said.

MINISTER REPORTS EARNINGS FROM WORKERS ABROAD

Dhaka THE BANGLADESH TIMES in English 15 Feb 84 pp 1, 8

[Text] Bangladesh earned Taka 1,568.07 crore (634.38 million U.S. dollars) in foreign exchange during 1983 from its nationals working abroad. The earning is about 400 crore taka higher than that of 1982.

Stating this at a Press conference at his Secretariat Office on Tuesday, Minister for Labour & Manpower, Air Vice Marshal (Retd) K.M. Aminul Islam, expressed the hope that the earning from the Bangladeshis employed abroad would be higher during the current calendar year.

The Manpower Minister said that during last eight years since 1976, a total of 277,487 persons had been employed abroad, particularly in the Middle Eastern countries. The total earning from them amounted to Taka 4,545.71 crore, he said.

Air Vice-Marshal Aminul Islam said that of the persons employed abroad during last eight years, 20,466 were professionals, 97,656 were skilled persons, 16,919 semi-skilled and 1,42,046 unskilled persons.

On the performance in recruitment by different agencies, the Labour and Manpower Minister said that the Bureau of Manpower Development and Training had recruited 41,127 persons while private recruiting agents provided foreign jobs to 87,554 persons. A total of 1,48,808 persons secured jobs abroad through their individual efforts, he said.

During 1983, a total of 59,216 persons had secured employments abroad. During 1982, a total of 62,805 persons were employed abroad. Listing reason for shortfall in securing jobs in 1983 the Minister said that shrinkage in the employment opportunities in three countries, namely Libya, Iraq and Iran was the main cause of the shortfall in securing jobs abroad.

Air Vice-Marshal Aminul Islam said that licences of 23 private recruiting agents had been cancelled for their indulgence in irregular practices. Security money of six of these agents had been forfeited, he said.

He said that 124 agents had voluntarily surrendered their licences. Licensing of 25 agents had been held up for alleged cheating, he said, adding that in all 311 private recruiting agents were now engaged in normal business.

The Manpower Minister said that with a view to regularise the activities of the recruiting agents, the Government had promulgated immigration ordinance. Work on the preparation of a manual for recruiting agents and organisations was under active consideration of the government, he said.

B.O.E.S.L.

Air Vice-Marshal Islam informed that the proposed Bangladesh Overseas Employment & Services Limited was expected to go into full operation within a couple of months. About 49,000 shares of the company worth Taka 100 each would soon be put on sale among the public. He said the basic objective of the establishment of the company was aimed at creating competitiveness among the private recruiting agents and ensuring improved conditions for securing employment abroad.

He said that up to 1983, a total of 918 doctors and 2,173 B.Sc. engineers had secured employment abroad.

The Minister said that Oman was the only country which had started recruiting increased number of people from Bangladesh. He said that in 1983 Saudi Arabia had recruited the highest number of people (12,942) from Bangladesh followed by Oman (11,126).

When asked about the number of Bangladesh nationals now in the prison of the Middle Eastern countries for unauthorised entry or any other offence, the Minister said that it was difficult to know the number because the Ministries of Interior in these countries would not disclose anything about it to anybody.

CSO: 4600/1586

KHAN TALKS TO PRESS ON RETURN FROM MOSCOW

Dhaka THE NEW NATION in English 20 Feb 84 pp 1, 8

[Text] DCMLA and Minister for Communications Rear Admiral M.A. Khan said here yesterday the new Soviet leadership reciprocated "our sentiments" to further strengthen the friendly ties between the two countries, reports BSS.

Bangladesh desires to have "best of relations" with the Soviet Union, the DCMLA told the newsmen on his return home after attending the funeral of Soviet President Andropov. Information Minister Syed Najmuddin Hashim had also accompanied him to Moscow.

In Moscow, Admiral Khan met new Soviet leader Chernenko and conveyed to him congratulations 'of our people' on his assumption of the office of Secretary-General of Communist Party. He also met several ministers there.

The DCMLA said he expressed to Soviet leaders the desire of our government to have best of relations with Soviet Union on the basis of sovereign equality and non-interference in each others internal affairs and in the best interest of the two peoples.

They, he added, 'reciprocated our sentiments and expressed their willingness to further strengthen the relationship between the two peoples.' 'The same view was expressed' by Chernenko. Admiral Khan said he found there 'lot of goodwill' for the people of Bangladesh.

Admiral Khan said he was fully satisfied with his talks with Soviet leaders and referred to Soviet assistance in different fields. The trade ties have 'not been snapped and very soon' new trade protocol is expected to be signed, he added.

The trade, DCMLA said, is the symbol of friendship and nothing happened from our side to impair the relationship. The Soviet Union is also eager in this connection, he added.

DCMLA Khan said he met ministers of Railway and Transport Communications and Foreign Trade and discussed bilateral cooperation. The construction of road-cum-railway bridge over the Rupsa river in Khulna is among the subjects that came under the discussions.

He said a Soviet team was in Bangladesh a few days back for a weeklong visit in connection with their assistance for the Rupsa Bridge. After supplying further information on this as required, a protocol is likely to be signed next month on the project.

After the signing of the protocol, he said, the Soviet experts will take up technical studies and determine the range of assistance. Then another agreement would be signed for actual construction which may take 3 years.

The DCMLA said the construction of the Rupsa Bridge would be a major development in the improvement of communication in the country. This would directly connect Khulna with Morgla Port and western part of the country.

Admiral Khan said he also sought Soviet help in turning the metre gauge into broad in western zone and for electrification of Dhaka-Chittagong railway. "All these requests were favourably accepted for necessary actions," he added.

On his way back home, the DCMLA made a stopover in London where he attended the Namaz-e-Janaza of General M.A.G. Osmany, whose body would be brought here today for burial in Sylhet.

The Information Minister Syed Najmuddin Hashim, who had accompanied the DCMLA to attend the funeral of the Soviet leader in Moscow, is expected to return home today from London.

CSO: 4600/1594

ERSHAD TELLS IMPORTANCE OF ISLAM IN BANGLADESH

Dhaka THE BANGLADESH OBSERVER in English 12 Feb 84 pp 1, 12

[Text] The President and Chief Martial Law Administrator, Lt Gen H.M. Ershad, today made a clarion call to all to strengthen his hands in the efforts to establish Islam in all spheres of state and national life, reports BSS.

"Islam is our ideal and it is the only way to our emancipation," the President said.

Addressing a conference of Bangladesh Seerat Mission at Engineers' Institute in Dhaka Gen Ershad cautioned that "the existence" of the country will be at stake if we fail to establish Islam in Bangladesh.

He said any obstacle on the way to the establishment of Islam will be crushed with the united efforts of the nine crore Muslims of the country.

President Ershad said the Muslims can no more remain divided because "a grave danger is hovering over us."

"We will have to overcome this unitedly with every Muslim working hand in hand," he added.

He called for taking a vow to forge greater unity against the "betrayers" and march forward upholding the "green flag of Islam along the path of Allah and our beloved Prophet."

The President said it was unfortunate that if anybody speaks of Islam he is branded as prejudiced. On the other hand, if someone propagates other's philosophy he is described as a scholar.

"We do not want to live in such a situation. We, the nine crore Muslims, will certainly speak about Islam, think about Islam and dream about Islam. This is our only way for emancipation," he said.

Gen Ershad said, "There is no need to declare Jihad against him when he himself is trying to establish and uphold its values. Those who are speaking pf Jihad should wage it against such elements who "compare Holy Makkah with the capital of another country."

He said instead of declaring Jihad against him they should stand by him to strengthen his hands for establishing Islam in its right perspective.

President Ershad observed that during his dialogue with political parties he had made it clear to them that he believes in Islam in words and deeds. "I will do whatever I have said."

He wondered why the Muslim brothers will not come forward in strengthening his hands since he is determined to establish Islam in all spheres of national life.

He regretted that some Islamic thinkers did not participate in the dialogue with him. "Do they consider me as a monafiq or non-believer? I am a Muslim."

Gen Ershad said he is the first President to declare that Islam will be established in Bangladesh.

He said the opposition against him is in fact a conspiracy. This is a conspiracy against the country.

He called for frustrating such conspiracy at any cost. "If we fail to resist this conspiracy our sacrifice and bloodshed will go in vain and and Bangladesh will turn into a country of non-believers," he cautioned.

Gen Ershad called upon the people to get prepared to foil such conspiracy surmounting all obstacles.

Gen Ershad expressed his firm confidence that all attempts to create disorder and indiscipline and organise strikes and hartals will be washed away by Islamic wave.

He said our children should learn Arabic in order to understand the meaning of Quran. "We do not want to understand the meaning of Quran in translation. We want to understand the meaning ourselves."

The President deplored that the intention of the government has been misunderstood and movement was launched against him. He called for resisting such movement.

He announced that Islamic missions will be established in every district for providing humanitarian services and medicare facilities to the poor Muslims.

Presided over by Maulana Abdur Rahim the function was addressed also by the Minister for Labour and Manpower Air Vice-Marshal (Retd) A.K.M. Aminul Islam, Principal Dewan Mohammad Azrak Chief Election Commissioner Mr Justice A.K.M. Nurul Islam, Dr Ashraf Siddiky and Barrister Tamijul Huq.

Minister for Industries and Commerce S.M. Shafiul Azam and Special Assistant to the President A.R. Yusuf were present on the dais.

4600/1577

GOVERNMENT ISSUES DIRECTIVE ON USE OF BENGALI

Dhaka THE BANGLADESH OBSERVER in English 12 Feb 84 p 1

[Text] The Government on Sunday issued a directive for the use of Bangla in offices and courts, says BSS.

This directive issued by the Bengali Language Implementation Cell of the Ministry of Establishment and Reorganisation will be effective from February 12 (Sunday).

The Directive said that it will be deemed as an act of misconduct if any officer or employee does not use Bangla in the cases where no provision of English has been made. The eagerness of the concerned official or employee for the use of Bangla and the question of efficiency will be mentioned in the Annual Confidential Report, it said.

The directive said that after the emergence of Bangladesh directive had been issued to use Bangla in all spheres of official work. But that directive was not implemented in all spheres due to some practical difficulties. The Bangla Language Implementation Cell of the Ministry of Establishment and Reorganisation has identified the obstacles in the use of Bangla and chalked out steps to overcome them to carry out the Government's declared policy.

It further said that information had been gathered from each Ministry and Division through the circulation of questionnaire and the Cell held meeting with all the ministries and divisions to identify the problems in the use of Bangla and take measures to remove them. The programme to eliminate the problems was taken after detailed discussion, it added.

Under the programme, it has been decided to do bulk of the work in Bangla from now on. Instruction has been issued to translate the ordinance, laws and rules in Bangla within the specified time.

It further said that necessary type writers will be procured and the typists, steno typists and writers will be given training in Bangla. Their training will have to be completed within six months to 18 months in phases. Bangla will have to be used in the inter-ministerial and internal communications. All communications with foreign missions and officials will also have to be made in Bangla, it said.

CSO: 4600/1577

REPORTER SAYS GANGES TALKS GETTING NOWHERE

Dhaka HOLIDAY in English 18 Feb 84 pp 1, 8

[Article by Jehangir Hussain]

[Text] The latest show of the Indo-Bangladesh see-saw drama, called the Ganges talks, has, as usual, just got nowhere.

The time already taken by the nerve-wrecking negotiations beginning early fifties is thrice the age of Bangladesh itself.

The two sides remained bogged down with the idea of augmentation of the dry season flows of the Ganges for last seven years.

The augmentation question brought the two countries to the negotiating table several times. The talks caused such strain at times that the two countries could not even sit across the table resulting in countless stalemates and no progress.

The main issue--sharing the Ganges waters--has gone into the background.

India has been manoeuvring to pass on to Bangladesh the burden and responsibility of making up the shortage in the dry season flow of the Ganges created by India itself.

Exchange of Comments

The latest round of talks, the 26th one, started much later than scheduled on Tuesday last in New Delhi, and has been adjourned for resumption in Dhaka for another similar three-day exercise on March 29.

At New Delhi the two sides could only exchange their "comments," which they did several times in the past on the Nepal storage dam project of Bangladesh and the Brahmaputra-Ganges link canal scheme of India.

Although both the sides already know too well each other's mind and about the relative potentials or implementation problems of the two augmentation projects, they decided to resume the talks in Dhaka for their expressed need for further consultations on the two plans.

The news of the Ganges talks ending without progress, being adjourned or running into a stalemate no more creates surprises.

But the expressed need for further consultations and exchange of comments on the augmentation projects because of the long time already taken by such repetitive and even possibly irritating exercise can only produce a comic effect.

#### Formal and Informal Talks

After the adjourned meeting, the Bangladesh delegation led by Agriculture Minister Obajdullah Khan returned home on Friday night.

A Bangladesh delegation source said that besides holding the ministerial-level JRC meeting with his Indian counterpart Ram Niwas Mirdha, Obajdullah Khan also met Indian Prime Minister Indira Gandhi and Foreign Minister Narasimha Rao.

Mr Khan, according to the source, informed Mrs Gandhi about the latest situation on the Ganges. He is also reported to have expressed the need for continuation of the present Ganges sharing arrangement after it expires at the end of May.

At the formal JRC talks, the source said, the two sides, despite their willingness to continue the augmentation, discussions, gave time to new ideas about looking for alternative oppositions in solving the Ganges tangle.

The Bangladesh side, the source said, made its feelings clear at the JRC meeting that there should be no vacuum in sharing the Ganges water after the present arrangement expires two and a half months later.

#### Teesta

The source said that there was "some progress" at the irrigation secretaries. Teesta talks taht preceded the ministerial-level JRC meeting.

The irrigation secretaries agreed to set up three joint observation stations, one in the border and one each in India and Bangladesh for sharing the Teesta waters.

The two sides also agreed to set up a joint committee for monitoring the joint observations at the three stations and to frame the terms of reference for scientific studies of the ad-hoc sharing for finding out a long-term sharing arrangement. The committee is to initiate the scientific studies immediately.

The two sides, though scheduled to complete an agreement document for ad-hoc sharing of the Teesta waters by October last, is yet to come out with it.

It is difficult to predict where the Teesta sharing issue would be led to by the scientific-studies talks. Will it prove to Teesta what augmentation has become for the Ganges?

DHAKA, MOSCOW REPORTEDLY SEEK TO EASE STRAINS

Dhaka HOLIDAY in English 19 Feb 84 pp 1, 8

[Text] Bangladesh-Soviet Union ties appear to be recovering from the serious strains it suffered in November last year.

A Soviet proposal to continue trade deals with Bangladesh, preparations to post a new Bangladesh Ambassador to Moscow, and last but not the least, Deputy Chief Martial Law Administrator Rear Admiral M.A. Khan's attending of the state funeral of late President Yuri Andropov only confirm that the two countries are in search for a new relationship.

The developments in Dhaka in late November saw the ties taking turn for the worse. There was an apprehension in Dhaka as well as elsewhere that it will deteriorate further. This, however, has not happened--thanks to the restrained follow-up actions of both sides.

According to reliable sources, trade between Bangladesh and the Soviet Union almost came to a halt following the expulsion of 12 Soviet diplomats and two other officials from Dhaka in November on charges of what was officially told being involved in activities other than normally diplomatic. The Soviet Cultural Centre in Dhaka was also ordered to shut down at the same time.

There was no official announcement for the discontinuation of trade from any side but Moscow showed extreme reluctance to lift jute, jute goods and other items from Bangladesh under the existing barter trade agreement between the two. Authorities in Moscow also cancelled a scheduled visit of a Bangladeshi trade delegation to that country.

But the Soviet Union is learnt to have proposed to begin trade anew with Bangladesh last week. And normal trade exchanges are expected to be resumed soon.

It is widely speculated in Dhaka that Bangladesh is also planning to post its current Minister for Information and Broadcasting Syed Najmuddin Hashim to Moscow as ambassador. The former Bangladesh ambassador to Moscow M.R. Ahmed came back to the country in December on completion of his term and a new ambassador is yet to take the post. Syed Hashim's appointment will mean an upgradation of the Moscow post because of his standing. Hashim was also an

ambassador before becoming a minister. He accompanied Rear Admiral M.A. Khan to Moscow to attend the funeral of the late Soviet President.

Rear Admiral Khan's participation in the funeral ceremony of Yuri Andropov, however, is no surprise. A galaxy of world leaders, particularly western leaders, including the United States' Vice-president George Bush and British Prime Minister Margaret Thatcher was in Moscow to register their nations' condolences at the demise of the Soviet President. All of them, like the Admiral, also exchanged pleasantries and congratulated the new Kremlin leader K.U. Chernenko.

According to reports, while congratulating Yuri Andropov's successor Chernenko, the DCMLA expressed the hope that friendship and cooperation between the two countries will be strengthened further and the new Soviet party and state boss also expressed similar feelings.

Back in Dhaka, President and Chief Martial Law Administrator Lt General H.M. Ershad also went to the Soviet Embassy to sign the condolence book.

Whether these new developments will be matched by more pragmatic actions or whether internal and external forces or issues will continue to cloud the Bangladesh-Soviet relationship remains to be seen for future.

CSO: 4600/1590

DHAKA STUDIES FEASIBILITY OF BRAHMAPUTRA DAM

Dhaka THE BANGLADESH OBSERVER in English 19 Feb 84 p 1

[Text] Bangladesh started pre-feasibility study of the multi-purpose Brahmaputra Barrage at Bahadurabad from December last. The study will be completed by April next, according to a Joint Rivers Commission source.

The purpose of constructing this billion-dollar barrage on the Brahmaputra is to augment Bangladesh's part of the Ganges by diverting the waters of Brahmaputra. Besides, the barrage will help flood control construction of roads and rail links and run the gas line.

A Canadian team will visit Bangladesh in April to discuss the financing of engineering study of the project at a cost of six million U.S. dollars. During the visit of Prime Minister Mr Trudeau in November last, Canada assured financial help for feasibility study of the project.

Meanwhile, during the last JRC meeting in New Delhi Bangladesh formally informed the Indian side about this project. The Indian side did not object to Bangladesh's proposal for constructing the barrage, according to a source close to JRC.

Bangladesh is not obliged to inform India about the Brahmaputra Barrage which will be constructed within the territory of Bangladesh. But as a good neighbourly gesture Bangladesh wants to keep India informed about the project for a permanent solution of the water sharing problem between the two countries. Bangladesh will formally write to India about this project within a week's time.

Regarding the continuity of the present sharing arrangement of the Ganges waters, Bangladesh is learnt to have demanded the present arrangement for two to three years so that the feasibility study of the Brahmaputra Barrage can be completed. The present agreement expires in April this year. A recommendation to this effect is likely to be made at the summit level in the next JRC meeting in Dhaka scheduled to be held on March 29.

In the last JRC meeting Bangladesh side rejected the idea of link canal because of political and human factors. The canal will involve 25 to 30 thousand acres of land in Bangladesh and subsequent rehabilitation of thousands of families. Similar problems will be created in Assam. Similarly India persisted not to include Nepal in the augmentation scheme.

Under the situation the only alternative before the two countries is to work out a permanent sharing arrangement of the Ganges waters. It is learnt that India is promise-bound to make permanent sharing arrangement of the international river as upper riparian before commissioning the Farakka Barrage. Since the two possible alternatives for augmentation of the Ganges fell through as a good neighbour India should respond to the demand for a permanent arrangement for good relations between the two countries.

CSO: 4600/1591

ERSHAD MEETS CHITTAGONG HILL TRACTS TRIBAL LEADERS

Dhaka THE BANGLADESH OBSERVER in English 19 Feb 84 pp 1, 12

[Text] The tribal leaders of Hill Tracts area including Khagrachari, Rangamati and Bandarban districts met the President and Chief Martial Law Administrator, Lt Gen H.M. Ershad at Bangabhaban in Dhaka on Saturday evening, reports BSS.

During the meeting, the tribal leaders expressed their deep gratitude to the President for the third October announcement for the development of the tribal area and also general pardon for those who were misled.

They requested the President on behalf of the tribal people to extend the date of the pardon which expires on February 25 this year.

They expressed the view that the announcement had good impact all over the area and a number of misguided elements returned to their houses for leading a normal and peaceful life after realising their mistakes. Others are also thinking and taking preparations to get back to their homes.

An extension of date, they felt, would facilitate their return to the main stream to take part in development programmes.

With this end in view, the President told them that a special five year development plan was drawn up for the area which has been declared as a special economic zone.

He also mentioned about other concessions like reservation of quota for tribal people in higher education, free residential facilities for primary and secondary high school students, more employment opportunity and relaxation of age and qualifications for tribal candidates for employment.

Among the tribal leaders present were Babu Upendra Lal Chakma, Mr Maung Sheu Pru Chowdhury and Santi Moy Dewan. From among the surrendered Shanti Bahini leaders Mr Jotindra Lal Tripura alias Nirmal Babu Nalini, Ranjan Chakma alias Afuranta and Mr Remra Chai Marma alias Suiching were present.

From the Government side, the Home Minister Major General Abdul Mannan Siddiqui, the Chief of the General Staff, Major General Nuruddin Khan, the Zonal Martial Law Administrator, Zone "C" Major General AKdul Mannaf and the Home Secretary Kazi Azhar Ali were present.

CSO: 4600/1591

BEGUM ZIA ADDRESSES BNP EXECUTIVE COMMITTEE MEETING

Dhaka THE BANGLADESH OBSERVER in English 17 Feb 84 pp 1, 8

[Text] The extended meeting of the National Executive Committee of Bangladesh Nationalist Party (BNP), largest forum of the party, endorsed the five-point programme of the seven-party alliance and its programme of resisting upazila elections.

It also endorsed in a resolution the handing over of party chairmanship to Begum Khaleda Zia by Mr Justice Abdus Sattar.

The seven-party alliance led by BNP under the leadership of Begum Khaleda Zia is following identical programme of movement with 15-party alliance on the basis of five-point programme.

The extended meeting of BNP's National Executive Committee was the first such meeting after Begum Zia took over charge due to illness of party Chairman and after the split of the party, the faction led by Mr Shamsul Huda Chowdhury in February last year. Party Chairman Khaleda Zia inaugurated the meeting at 11 a.m. at the Institute of Engineers. The meeting continued for eight hours till 8.30 p.m. The meeting was also addressed by party Vice-Chairman Shah Azizur Rahman, Secretary-General Dr Badruddoza Choudhury, former ministers Mr Maudud Ahmed, Capt (Retd) Abdul Halim Choudhury, Mr Mowedul Islam. It was attended by members of the party's central committee, former ministers, parliament members, Presidents and Secretaries of organisational districts, subdivisions and thana units.

In her inaugural speech Begum Zia observed that the present political situation was alarming. She stressed the need for strengthening the movement for restoration of democracy and called for expanding the movement for the realisation of five-point demands up to thana level. The BNP Chairman called for making the hartal on March 1 a complete success.

Begum Zia in her written speech bitterly criticised the present Government's economic, industrial, educational, administrative and foreign policy. Terming this Government as "illegal," she observed that it has no right to hold upazila elections because parliament was the only competent body to decide such an important issue. She also held that by decentralising High Court judges the Government has lowered the prestige of the judiciary.

Regarding political dialogue the BNP chief said that they were not opposed to it but congenial atmosphere was not created for joining it. She felt the need of keeping the armed forces above politics.

Shah Azizur Rahman criticising the Government policy said that at present only economic activity in rural areas was elections. But late President Ziaur Rahman introduced politics of production through participation in canal digging and drive against illiteracy.

The former Prime Minister further said that the present Government was headed by a many faced man. Shah Aziz said when President Eishad goes to Gopalganj wears badge imprinted with picture of late Sheikh Mujibur Rahman and again while addressing the Chhatra Dal conference organised by BNP (Dudu-Nilu) he wore badge with picture of Ziaur Rahman.

Dr Badruddoza Choudhury, explaining the present political situation and polarisation said that there exists a triangle now. Government and the Jatiya Oikya Front exist in one arm, Awami League with components of 15-party alliance in another arm and BNP with its colleagues in seven-party combine in the third arm. He observed that in future there would be a confrontation between forces. He called upon the party workers to evaluate the situation and find out course of action.

Regarding those of the party men who joined Janadal Mr Choudhury said that by their departure the party has got rid of 'sins' and was strengthened. He further said that those quarters which term them as agents of Indo-Soviet axis was conspiring against the party.

At one stage when Mr Shan Azizir Rahman was requested to address the meeting, a large number of workers demanded that Mr Moudud Ahmed should speak first. Later Mr Moudud addressed the meeting.

CSO: 4600/1589

SHEIKH HASINA TELLS STAND ON DIALOGUE WITH ERSHAD

Dhaka THE NEW NATION in English 10 Feb 84 pp 1, 8

[Text] Awami League chief Sheikh Hasina asked President Ershad to quit Bangabhaban and come for a dialogue with the politicians if he is so interested in it. He is most welcome to have dialogue with us after leaving power, she added.

Sheikh Hasina said this in response to the repeated appeal made to the 15 and 7 party Alliances by the administration to participate in the dialogue.

It may be noted the Presidential Assistant Barrister A.R. Yusuf Wednesday renewed the administration's offer to the two alliances to take part in the dialogue. He indicated the dialogue will be reopened if they are interested in it.

The Awami League President, who was talking to ENA at her party office yesterday afternoon, said "we have intimated to the government our pre-conditions for the dialogue. We are not secretive about it at all."

Commenting on the just-concluded dialogue Sheikh Hasina said it was a sheer exercise in futility and hence of no political significance at all.

Making pointed reference to the political parties which participated in the month-long deliberations at Bangabhaban she said they have no link with the masses and therefore they are unable to articulate the wishes and aspirations of the people of Bangladesh. These parties in the course of dialogue stated what they were tutored to state. She said the whole thing was stage-managed and hence one needs not lend credence to it. In response to the Presidential Assistants, claim that backstage efforts are still continuing to bring the two alliances to the dialogue. She has said she has no knowledge of any behind-the stage endeavour. Let him disclose the name of the persons or parties with whom he is in touch in this regard, she said.

On the question of upazila polls, Sheikh Hasina said people will launch a massive constitutional movement to prevent it. The AL chief observed an individual has no right to decide on such a vital question as upazila

polls. She thought only a representative government can take decision in this regard. She reminded the administration of the consequences of the bye-elections sought to be imposed by Yahiya government on the people of Bangladesh during the War of Liberation.

Drawing the attention of those who are contemplating to submit nomination for the upazila polls, she asked them to take into consideration all aspects of the matter and carefully take decision in this regard. What is happening in this country at present is game of power politics. Let them not be pawns in the case board of power politics, she said.

CSO: 4600/1573

SHEIKH HASINA SPEAKS AT 15-PARTY ALLIANCE MEETING

Dhaka THE NEW NATION in English 15 Feb 84 pp 1, 8

[Text] Hasina Wazed, leader of the 15-party alliance, yesterday appealed to the people to boycott the forthcoming upazila elections and strengthen the hands of the opposition in early restoration of democracy in the country.

Addressing a meeting of the workers of the 15-party alliance in a local hotel on the occasion of the observance of the "Resistance Week" Hasina Wazed urged the government to hold parliamentary elections before other polls. She said country's political problems could be resolved if a sovereign parliament was elected and allowed to resolve the problems facing the nation.

She said the 5-point demand of the alliance reflected the hopes of the masses.

"We shall give blood, if necessary, to realise the demand," she told the rally amidst cheers and slogans.

The Awami League leader told the alliance workers to make March 1 countrywide hartal a success to bring an end to military rule.

Presided over by Mohammad Toaha of Samyabadi Dal the rally was addressed by over a dozen leaders of the alliance.

Sheikh Hasina said political stability in the country cannot be restored for so long the process of power transfer through guns continued. This unfortunate trend started in August 1975 with the killing of Sheikh Mujib. Stability can be restored by restoration of democracy, she added.

In her brief speech she said the day is not too far when the forces now opposing people's demand for democracy will regret and stand by them.

She gave a gloomy picture of the society which, she said, is beset with manifold problems spiralling price, unemployment and deteriorating law and order situation. She viewed that the administration has opened the flood-gates of repression and oppression.

Sheikh Hasina told the alliance workers to continue the movement for restoration of democracy even if she is not there indicating that she may be taken into custody in the wake of movement.

She regretted that General Ershad and his men are moving around addressing open public meetings keeping politicians within the four walls. They should be tried for violating their own laws, she added.

Baksal leader Abdur Razzaq held the martial law as the root of all problems and vowed that the alliance movement will continue till its end.

Calling for resisting the upazila election he said it aimed at perpetuating military rule in the country. "We shall oppose holding upazila election," he said. Those who will take part in it will be branded with the anti-independent forces, he added.

Mirza Sultan Raza, Syed Altaf Hussain, Maulana Abdur Rashid Tarkabagish and Nirmal Sen were among others who spoke at the rally.

They held that upazila election which has no constitutional basis, is aimed at perpetuating the martial law.

The rally adopted a number of resolutions calling for resisting upazila election set for March 24 and making March 1 hartal a success.

The function over, alliance workers attempted to bring out a procession. A heavy contingent of police posted in front of Eden Hotel chased out the the small group of processionists who were shouting various slogans.

#### Chittagong

Our Chittagong Bureau reports: The leaders of the local bodies of the 15-party alliance yesterday called upon the people to boycott and prevent holding of upazila polls.

They were addressing a meeting at J.M. Sen hall this afternoon. The meeting was organised in connection with the Resistance Week. The leaders observed that the upazila polls will help perpetuate martial law in the country.

Presided over by Abdul Mobin Bhuiyan of NAP (MB), it was addressed among others by Maulana Ahmedur Rahman Azmi of NAP (M), A.B.M. Mohiuddin Chowdhury of Awami League, Mr Kafiluddin of Baksal and Muruddin Zahed of JSD.

CSO: 4600/1587

15-PARTY ALLIANCE CLARIFIES STAND ON DIALOGUE

Dhaka THE NEW NATION in English 10 Feb 84 pp 1, 8

[Text] The 15-party alliance in a statement issued yesterday termed the fresh call by the government to the alliance as a bid to create confusion.

The alliance also described the claim of the government about the maintenance of its contact with the alliance as downright falsehood.

The alliance stated that it had never shown negative attitude towards the question of dialogue as it wants peaceful solution of the present political crisis.

ENA adds: The statement signed by Mr Rashed Khan Menon said, in the opinion of the alliance the dialogue which the government had with certain parties will have little political bearing and significance.

The alliance said that the government was aware that the announcement of holding the upazila elections while the dialogue was still on meant that the government itself was not serious about the dialogue.

The alliance said in its opinion the only way to resolve the present political crisis was holding parliamentary elections to bring an end to Martial Law.

CSO: 4600/1573

ADB DELEGATION HOLDS DHAKA PRESS CONFERENCE

Dhaka THE BANGLADESH OBSERVER in English 12 Feb 84 pp 1, 12

[Text] Asian Development Bank (ADB) is as much concerned as its aid recipient countries like Bangladesh about the problems causing slow disbursement of its aid funds. The issue has been related to formalities and procedural difficulties on ADB's part on hand and technical and other implementation problems on the part of the recipient countries on the other.

This was stated by the members of the ADB's Board of Directors at a Press Conference on Saturday at the Bank's resident office in Dhaka. The members of the Board on the conclusion of their weeklong "familiarisation" tour to Bangladesh pointed out that disbursements of ADB funds to the country (Bangladesh) were about only 30 percent of its commitments, a level quite similar to the case in other developing member countries of the Bank.

When asked why the situation could not be more favourable for Bangladesh as the only resident office of the Bank outside its headquarters in Manila was located in Dhaka with the obvious purpose of expediting the process for aid disbursements, the members of the delegation admitted that the disbursement difficulties could not be overcome owing to continuing procedural difficulties, technical complications and project implementation and management problems from "both sides."

Six Board members of the Bank out of a total of eight who were in the visiting team were present at the Press conference. They included Mr Hoon-Mok Chung (representing Republic of China, S Korea, Papua New Guinea and Vanuatu), Mr Kai Detto (Australia, Hong Kong, Kiribati and Solomon Islands), Mr R.C.W. Hamilton (Cook Islands, Fiji, Indonesia, New Zealand, Tonga and Western Samoa), Tunku Abdul Matin (Burma, Malaysia, Nepal, Singapore and Thailand), Kazi Fazlur Rahman (Bangladesh) and Mr Paul E. Koehling (Austria, Federal Republic of Germany and United Kingdom). Two other members of the team, Mr Donal R. Sheru (United States) and Mr A. Gill (Canada, Denmark, Finland, Netherlands, Norway and Sweden) had earlier left Dhaka.

Mr Song Chil Lee, chief ADB resident mission in Dhaka was also present at the Press conference.

Mr Paul E. Koehling, Executive Director of ADB who made the opening statement and most of the observations at the Press conference on behalf of the visiting team stated that "disbursement issue" was the most difficult and pressing one before the bank. While observing that the issue was under its close examination, he held out assurances in a general way rather that some improvement in the overall situation was possible through the combined efforts of the bank and the recipient countries.

Mr Koehling expressed the hope that the efforts on the part of Bangladesh Government to streamline the internal procedural arrangement in development administration would have some good impact on the overall disbursement of ADB funds to the country.

The members of ADB delegation noted that the Bank's commitment to Bangladesh rose to 274 million US dollar in 1983 from 224 million dollar in 1981. But disbursements totalled only 49 million US dollar in 1983 as against 34 million dollar in 1982 and 47 million in 1981, they said.

Giving a brief resume of ADB's lending operations tour, of its concessional Asian Development Fund (ADF) in Bangladesh, they pointed out that agricultural sector was the leading sector involving sixty percent of ADB commitments so far. The share of power sector has been around 20 percent, they added.

Asked about the prospects for more programme assistance which incorporates non-project assistance as well, Mr Koehling appreciated the difficulties of Bangladesh relating to Taka shortage problem. Bangladesh, he observed, was the major recipient of ADB's programme lending operations.

Asked about the ADB's lending operations for the private sector activities in the developing member countries, the members of the ADB team informed the newsmen that the issue would be high on the agenda in forthcoming meeting of the Bank. Replying to another question, the resident mission chief of the Bank in Dhaka said that any new credit line for industrial development banks for private sector investment financing would be considered after the technical studies and examination of project portfolio of Bangladesh Shilpa Bank (BSB) and Bangladesh Shilpa Rin Sangstha (BSRS) undertaken jointly by ADB. World Bank and KfW of West Germany would be completed by the end of the current calendar year.

Summing up their tour impressions, the members of the team said that their visit to ADB-aided projects in Chittagong and Khulna and their discussions with the Government leaders including President and Chief Martial Law Administrator had made them quite optimistic about the economic outlook of the country for the coming years. The country has tremendous potentials particularly in the agricultural sector through crop diversification and intensification, they felt.

The ADB delegation was also appreciative of the Government's development priorities and noted with satisfaction that the Government was serious about health and population sector. The members of the ADB team observed that the extensive use of natural gas would unfold new development potentialities for the country. They were in high praise for the present leadership and termed it as 'very capable one.'

The ADB team observed that the economy of Bangladesh was picking up now under the favourable impact of increased flow of remittances, growing reserves of the country's central bank and favourable terms of trade.

CSO: 4600/1576

REPORT ON BANGLADESH-BHUTAN COMMUNIQUE ON KING'S VISIT

Dhaka THE BANGLADESH TIMES in English 7 Feb 84 pp 1, 8

[Text] Bangladesh and Bhutan have reiterated their conviction that the structured regional cooperation in South Asia would lead to the strengthening of relations among the countries of the region and also contribute to the improvement of the quality of life of their peoples.

A joint communique issued on Monday at the conclusion of the three-day state visit of King Jigme Singye Wangchuck of Bhutan said that King Wangchuck and President and Chief Martial Law Administrator Lt Gen H.M. Ershad while reviewing the situation in the South Asian region expressed satisfaction over the launching of integrated programme of action for South Asian Regional Cooperation.

Expressing satisfaction at the steady growth of bilateral relations between their two countries, the two leaders expressed the view that there was considerable scope for strengthening and further developing cooperation between the two countries.

In this context, the two leaders noted with satisfaction that a trade protocol and an agreement on economic and technical cooperation were signed between the two governments during the visit of the King of Bhutan. They also emphasised the need for exchange of cultural troupes between the two countries as another step to promote understanding between their peoples. Both sides agreed to take further necessary measures in this direction, the communique said.

The President of Bangladesh and the King of Bhutan held discussions on wide ranging subjects covering bilateral relations, South Asian regional matters and international situation. The discussions were held in an atmosphere of friendship, cordiality and mutual understanding which characterise relations between the two countries.

The two leaders reviewed the current international situation and expressed concern at the escalation of international tension endangering peace and security in certain regions in particular and in the world as a whole. They reaffirmed the commitment of their Governments to the UN Charter and the principles and objectives of the Non-aligned Movement. They underscored the

importance of respecting the principles of sovereign equality and territorial integrity of states, inviolability of frontiers, non-interference in the internal affairs of other states, non-use of force and peaceful settlement of disputes as the guiding principles for conducting relations among states.

Communique said that--The two leaders expressed their deep concern over the situation in Afghanistan and Kampuchea and called for an immediate and unconditional withdrawal of foreign troops and for full respect of the independence, sovereignty and territorial integrity of these countries. They called for creation of conditions to enable the peoples of the two countries to determine their own destiny free from outside interference and intervention.

The two leaders reviewed the current situation in West Asia and reaffirmed their call for a comprehensive, just and durable solution of the problem on the basis of complete withdrawal of Israeli forces from all occupied Arab lands, including the holy city of Jerusalem, and the restoration of the inalienable national rights of the Palestinian people, including their right to have a state of their own in their homeland under the leadership of the PLO and the restoration of Jerusalem to Islamic sovereignty. They also condemned Israeli invasion of Lebanon, the atrocities committed there by the Israeli authorities and reiterated their call for an immediate and unconditional withdrawal of Israeli forces from Lebanese territory.

The two leaders expressed their profound sorrow over the continuing Iraq-Iran war and appealed to them for an immediate cessation of the hostilities and an end to the war.

Reviewing the situation in Southern Africa, the two sides reiterated their support for the inalienable rights of the people of Namibia to achieve independence in accordance with the relevant United Nations decisions and resolutions. They reaffirmed their continued solidarity with the heroic Namibian people in their legitimate struggle under the leadership of SWAPO, their sole and authentic representative. The two sides also rejected the linkage of the question of Namibia to any extraneous issues.

The two leaders condemned the abhorrent policy of apartheid practised by the Pretoria regime and reiterated their firm support to the oppressed people of South Africa in their heroic struggle for political, economic and social emancipation. They also condemned the repeated acts of aggression committed by South Africa against the frontline and other neighbouring states and expressed their admiration for the courage and fortitude displayed by these states.

The two leaders noted with concern that the Indian Ocean area had become a focus of great power rivalry. They reiterated their support for the 1971 UN Declaration on the Indian Ocean as a Zone of Peace and called for the early convening of the Conference on the Indian Ocean scheduled to be held in Sri Lanka.

They noted with concern the deteriorating world economic situation and the widening of the gap between the developing and developed countries. In this context they particularly called for the speedy implementation of the special measures already agreed upon by the international community in favour of the Least Developed Countries. They reaffirmed their commitment to the establishment of a New International Economic Order and also urged for intensifying meaningful efforts for South-South Cooperation.

The King of Bhutan conveyed his thanks to the President of Bangladesh for the warm welcome and the kind hospitality extended to him and the members of his delegation during their visit to Bangladesh.

King Wangchuk of Bhutan extended an invitation to President Lieutenant General H.M. Ershad to visit Bhutan at his convenience. The invitation was accepted with pleasure.

CSO: 4600/1571

PAPER REPORTS ON CLOSE OF POLITICAL DIALOGUE

Government Spokesman's Assessment

Dhaka THE BANGLADESH OBSERVER in English 8 Feb 84 pp 1, 12

[Text] The formal phase of the political dialogue between the Government and political parties ended on Tuesday which a Government spokesman claimed to be a "complete success."

Mr A.R. Yusuf, Special Assistant to the President told newsmen at Bangabhaban on Tuesday after the conclusion of the dialogue that judging from the formal discussions with leaders during dialogue and predialogue by presidential aides with leaders of other parties the President was able to know the minds of all political leaders. It may be mentioned here that presidential aides had separate meetings with leaders of 15-party alliance on December 28 and 29 at a Mintoo Road office.

Three political parties joined the dialogue on the concluding day on Tuesday. These are National Awami Party led by Mrs Selina Majumder, Front for National Solidarity led by Mr Shfiqul Haider Khan and United Republican Party headed by Mr Majedur Rahman Khan. Delegation of the Front for National Solidarity included Professor A.R. Choudhury of Dhaka University and Mrs Pervin Ahmed, sister of late Mohammad Ali of Bogra.

National Front for Solidarity leaders favoured holding of presidential election first and then parliamentary elections. They demanded holding of pparazila elections on schedule.

NAP (Selina) favoured holding of presidential and parliamentary polls together. They suggested lifting of ban on open politics with a mechanism to check violence.

National Front for Solidarity also held the same view on open politics. The Front congratulated President Ershad for showing courage in expelling Soviet diplomats. They also urged the President to make efforts to unite the nationalist forces to protect the sovereignty and integrity of the country which is according to them, an urgent need.

The United Republican Party favoured holding of all elections on schedule and opposed the demands for shifting upazila elections saying the country was in grip of election fever now.

#### Correspondent's Analysis

Dhaka THE BANGLADESH OBSERVER in English 8 Feb 84 pp 1, 12

[Text] If views expressed by the political leaders at the dialogue become the determinant factor for a government policy on political issues that would be far from a pragmatic approach. Of the 52 parties that joined the dialogue till Tuesday with President H.M. Ershad the majority of them are of unknown quantity. Most of them exist on paper only. Their views on national issues should therefore bear no political significance.

Among the leaders who met the President and carry some political weight are Mr Ataur Rahman Khan, Khondakar Mushtaque Ahmed Major (retd) M.A. Jilil Muslim League (T. Ali) and Janadal.

The political heavyweights like Awami League led by Sheikh Hasina Wazed and Bangladesh Nationalist Party led by Begum Khaleda Zia stayed out of the dialogue and insisted on the acceptance of their five-point demands as a precondition for joining the dialogue. Jamat-e-Islam and Islamic Democratic League (Rahim) also did not join the dialogue.

Any decision on national political issues having no support of these political parties will be difficult to carry through. One may have strong reservations about political parties named above, but the fact remains that Awami League and BNP are political forces to reckon with. It would be difficult to ignore their views.

One interesting point about the dialogue is the unanimity of view among all political parties on the lifting of ban on open political activities.

Main issues discussed at the dialogue were presidential and parliamentary elections, election of Chairman of Upazila Parishads. Only four parties favoured holding of presidential election first to be followed by parliamentary elections. Ten of the parties who took part in the dialogue suggested holding of presidential and parliamentary elections on the same day. Government sponsored Janadal demanded holding of presidential election first while Jatiya Jote led by Mr Ataur Rahman Khan suggested holding both the elections together. Jatiya Oikya Front led by Khondakar Mustaque Ahmed also favoured holding of presidential and parliamentary elections on the same day. A number of parties including Jatiya Janata Party led by M.A.G. Osmany did not express any opinion on this issue. Regarding upazila elections only four parties demanded holding it on schedule and two parties suggested postponement of Upazila elections.

President H.M. Ershad, however, declared that Chairmen of Upazila parishads would not have any role to play in the parliament. By this he tried to dispel rumours that Upazila Chairmen would automatically become members of the Parliament.

The President also informed political leaders that proposal for formation of Zila Parishads were getting serious consideration of the Government.

It may be mentioned that a number of 40 political parties joined the dialogue on the inaugural day on January 7.

CSO: 4600/1572

## FIVE MORE SUBDIVISIONS MADE INTO DISTRICTS

Dhaka THE NEW NATION in English 16 Feb 84 pp 1, 8

[Text] Five more subdivisions were elevated into districts yesterday all over the country, reports BSS.

Earlier on February one 12 subdivisions were made districts.

The five new districts are: Narsingdi, Narayanganj, Gaibandha, Chandpur and Brahmanbaria.

DCMLA and Energy Minister, Air Vice Marshal Sultan Mahmud inaugurated Gaibandha district, Industries and Commerce Minister Shafiul Azam Narsingdi district, Local Government Minister Mahbubur Rahman Narayanganj district, Health Minister Maj Gen Shamsul Huq Chandpur district and Special Assistant to the President A.R. Yusuf Brahmanbaria district.

### Gaibandha

DCMLA and Minister for Energy Air Vice Marshal Sultan Mahmud yesterday declared open Gaibandha as a new district expressing his confidence that it would fulfil the hopes and aspirations of the local people.

He said the new districts were being created as part of the government's programme to decentralise the administration in keeping with peoples' demands and aspirations.

The DCMLA told thousands enthusiastic people who gathered at the local maidan on the occasion that the policy of decentralisation aimed at activating the socio-economic life of the countryside and accelerating the pace of national development.

### Narayanganj

Minister for LGRD, Cooperatives and Religious Affairs, Mr Manbubur Rahman yesterday inaugurated the Narayanganj district amid great enthusiasm and festivity.

Speaking on the occasion, the minister said decentralization and upgradation of administration had narrowed down the gap between the administration and the people. As a result the people and the government are nearer to each other with accountability to the people, he added.

#### Narsingdi

Mr Shafiul Azam, Minister for Commerce and Industries, yesterday called upon the people to be hard working, sincere and honest in their respective fields to achieve self-reliance in national economy.

Inaugurating Narsingdi Mahokuma as a new district, the minister said that the present government was determined to increase the national resources along with the development activities of the government.

#### Chandpur

Health and Population Control Minister Maj Gen M. Shamsul Huq yesterday called upon the people to give their verdict in favour of administrative decentralisation for building a happy future.

Inaugurating the Chandpur district the minister said that the present government's pledge for the restoration of democracy was a rare instance in the contemporary history. He outlined the steps taken by the government for transition towards democracy and development of the country.

#### Brahmanbaria

Our correspondent adds: Brahmanbaria--This subdivision was formally upgraded into a district today by Barrister A.R. Yousuf, Special Assistant to President and CMLA, Lt General H.M. Ershad at a ceremony at the local court premises.

Barrister Yousuf speaking on the occasion, that was witnessed by thousands of people, said that the upgradation of Brahmanbaria into a district would help boost production and other development activities.

He maintained that the responsibilities of the officials had also increased with the upgradation and called upon them to work hard to make the hard earned freedom of the country meaningful in all respects.

CSO: 4600/1588

MOST 1983-84 COMMODITY AID REPORTEDLY NOT ARRIVED

Dhaka THE NEW NATION in English 14 Feb 84 pp 1, 8

[Article by Jalal Nawaz]

[Text] Bangladesh is yet to receive 80 percent of the commodity aid committed by donors for the fiscal 1983-84, although 7 months of the year have passed.

So far, Bangladesh has received 121 million US dollars out of the committed 680 million.

The countries which have already sent the aid are Canada (44 million), Federal Republic of Germany (\$20 million), United States (\$19 million), United Kingdom (\$17 million), EEC (\$6 million) and OPEC (\$15 million).

According to a competent source, a total of 635 million US dollars commodity aid has been earmarked after a review of the Annual Development Programme and the authority expects that about 530 million US dollars will be disbursed by the stipulated time. But the World Bank is reported to have expressed pessimism about the achievement of the aid.

The World Bank is of the opinion that hardly 480 million US dollars could be disbursed by the end of the current financial year.

Experts are of the opinion that delayed disbursement will have a negative impact on the overall economic situation of the country because the commodity aid provides major funds for import trade operation and works as a main source of government revenue earnings.

Budgetary supply and other relevant constraints of the donors and delay in signing of agreements are learnt to be the main causes for delayed inflow of the aid.

The current fiscal year was launched with an aid flow of 3650 million US dollars, it may be recalled.

However, the flow of other kinds of aid--food aid and project aid--is reported to be satisfactory. About 70 percent of the total food aid commitment of 228 million US dollars was received during last 6 months. This excludes 25 million US dollars which had been in the pipe line from the last year's allocation. Bangladesh will also get another 15 million US dollars from Saudi Arabia excluding its formal commitment.

Of the food aid so far received, 65 million US dollars has been already disbursed during the first four months of the current fiscal year.

According to the source Bangladesh received 590 million US dollars out of estimated 1330 million US dollars as project aid during the first 5 months of the current financial year. But the trend of its disbursement is reported to be slow.

The concerned authority apprehends that the target of 600 million US dollars for public sector and 120 million US dollars for private sector may not be achieved. It is learnt that the major portion of the allocation for private sector will remain unutilized. It was expected that the bulk of the aid would be utilized after the handing over of Karnafuli Fertilizer Factory to the private sector, but the proposal was shelved by the government for the time being.

The projection at the beginning of the current fiscal year was made on the basis of expected commodity aid 680 million US dollars, food aid disbursement 230 million US dollars and the project aid disbursement of 1300 million US dollars.

It is learnt that the volume of the Annual Development Programme may be reduced after complete review.

CSO: 4600/1583

# RISE IN PRIVATE SECTOR INDUSTRY IMPORTS REPORTED

Dhaka THE NEW NATION in English 19 Feb 84 pp 1, 8

[Text] There has been a substantial increase in private sector industrial import during the first half of the current financial year compared to the same period in the last financial year. During July-December period of the financial year 1983-84, licences worth Tk 450 crores have been issued for import of industrial materials for private sector industries. During the corresponding period last year import licences issued on the same head was to the tune of Tk 148 crores.

Import licences worth Tk 1736 crores have been authorised during the first six months of the current financial year against a total import size of Tk 3150 crores fixed for the whole year. During the same period last year import licences worth Tk 948 crores which was Tk 500 crores less than the projected amount for the period, were issued.

A smooth inflow of foreign exchange remittances and an exceptionally good export performance over the first six months of the current year significantly contributed in attaining the import target as projected for the first half of the year (Tk 1755 crore) despite contribution from commodity exchange and commodity aid to meet the import bill for the period was below expectation.

Of the total import licences issued, receipt of the private sector was estimated at Tk 891 crores in which commercial import licences amounted to Tk 274 crores and export performance licences (XPL) Tk 167 crores. During July-December last year, private sector import under industrial licences was Tk 148 crores, commercial licences Tk 182 crores and XPL Tk 94 crores only.

In the public sector import authorization during July-December period of the current year was to tune of Tk 845 crores in which petroleum products (energy) consumed Tk 472 crores.

The Wage Earning Schemes (WES) contributed Tk 618.50 crores in the projected import bill of Tk 1736 crores for the first half of the current year. Of Tk 618.50 crores contribution from WES source, Tk 210.50 crores was utilised for public sector import, highest since introduction of this source for import financing.

CSO: 4600/1592

BANK DELEGATION CONCLUDES SAUDI ARABIA VISIT

Dhaka THE BANGLADESH OBSERVER in English 20 Feb 84 p 1

[Text] Jeddah, Feb 19--A four-member Bangladesh Bank delegation has concluded six-day visit to the kingdom after holding a series of meetings with bank authorities in different cities, reports IINA.

Banking problems and the possibility of creating Bangladesh banking presence here were discussed.

Mr Lutfar Rahman Sarkar, Managing Director of Sonali Bank and leader of the delegation said "It's too early to say anything about initiating our banking presence in the kingdom. We only presented our views during meeting with Mr Hamad Al-Sayari, Acting Governor of Saudi Arabian Monetary Agency (SAMA)."

Mr Sarkar said the main purpose of the mission was to identify the problems faced by his country's nationals in respect of remittances. "Bangladesh receives dollar 625 million remittances from its nationals abroad of which a third dollar 220 million comes from Saudi Arabia."

Asked what problems his country's nationals have been facing, he said most of them complained of delays in reaching their remittances home and inadequate response from the local banks.

"Our delegations will come here every three months for follow-up works," he said, adding that all the authorities that the delegation called on had high praise for the Bangladeshi labour.

Asked about the investment incentives offered to his country's foreign exchange earners he said that they are offered very good interest on their deposits and the banks in turn make investments in the country's economic development.

Bangladesh ambassador Muhammad Mohsin said two new special housing projects have been initiated by the government for its nationals working abroad. Also big public sector industries are offering investment facilities to them, he added.

CSO: 4600/1593

PROJECT TO HOUSE LANDLESS STILL INCOMPLETE

Dhaka THE BANGLADESH OBSERVER in English 20 Feb 84 pp 1, 12

[Text] The clustered villages and cooperative farming project undertaken in the district of Noakhali is still in the cradle even after 10 years. The project was taken up by the Ministry of Land Reforms and Land Administration in 1973 to rehabilitate landless peasant families in the char areas of Noakhali.

According to the scheme 1400 families in seven clustered villages, 200 families in each village were to be rehabilitated. These families were selected and granted settlement on 2.50 acres of land per family on condition that the rehabilitated families in each village would form a cooperative farming. Out of 2.50 acres of land for each family 2.20 acres were given for farming and 0.30 acres for homestead. The allocation of land to all 1400 families was made in 1973 and since then no financial expenditure was incurred by the government on the project until 1981-82.

In December 1982 a revised scheme of the project was prepared and an area of 590 acres for each village was earmarked. In the revised scheme 68.50 acres of land for each village have been kept reserved for construction of cyclone shelter grazing field, graveyard and other common facilities. The common facilities among others, included one community centre, one mosque, hat bazar, one playground, one demonstration farm, one office for the co-operative society and necessary roads. The lands for the clustered villages were selected from the newly reclaimed char area in the coastal belt of Noakhali.

In all seven clustered villages were to be set up in Noakhali District. Of the seven, four are at Char Clark under Sudharam Upazila, one village at Char Poragacha under Ramgoti Upazila, one at Diara Balua under Companyganj Upazila and one at Char Dorbesh under Sonagazi Upazila.

The estimated cost of the clustered villages project is Tk 2 87 crore and was due to be completed by June 1985. According to the scheme the families are to be clustered in both the banks of water pools. Each village would have 20 tanks. Ten families are to be clustered on both the banks of each tank.

The Noakhali District administration was assigned the task of implementing the project. The Deputy Commissioner, Noakhali heads the programme and he is assisted by a Project Director and other staff.

The seven clustered villages would have 140 Tanks, 20 in each village. But so far 34 tanks were excavated and excavation of 13 more tanks were taken up till February this year.

Although 200 families are put on record in each clustered village, it has now appeared that some of the allottees have left the villages out of frustration since the government could not take up any positive work on the project during the last eight to nine years. The authority is now giving fresh allotment as the new problems have cropped up following departure of some old allottees.

When the correspondent visited Charporagacha clustered village under Ramgoti Upazila, some villagers alleged that many trespassers were enlisted as landless. Though the official salami for allotment of lands in village is Taka 500 per family, the genuine landless people are not getting it as the persons associated with the project are allegedly demanding Taka five to eight thousand for an allotment.

Following this underhand dealing the landless families are facing tremendous difficulties to get themselves rehabilitated in the clustered villages. This has also created touts in the project sites and the poor landless people are being exploited and harassed.

CSO: 4600/1593

DHAKA TEACHERS SCORE GOVERNMENT INTERFERENCE

Dhaka THE BANGLADESH OBSERVER in English 15 Feb 84 pp 1, 12

[Text] Interference in the autonomy of the universities, disregard for the national constitution, obstruction in free thinking and lack of a definite policy for effective functioning of the universities have all combined to pollute the academic atmosphere in the universities and colleges which culminated in the untoward incidents of February 14 and 15, 1983.

Expressing these opinions speakers at a meeting organised by the Dhaka University Teachers Association at the University Club on Tuesday maintained that the universities are essentially places of free thinking. In order to think freely, both students and teachers needed congenial atmosphere in the campus. The thoughts which are often anti-establishment in nature are not encouraged by the Government resulting in agitation. The speakers said that the number of days the Dhaka University remained closed last year was the highest since the independence of the country. There should be a policy of the Government be it military or civil, to ensure effective functioning of the universities without interference from outside, they said.

The speakers said that the internal and external problems of the universities have to be differentiated in the light of teacher-student relationship and student politics. The meeting was presided over by President of the association Professor Moniruzzama Miah while Professor Mohabbat Jan, Professor Sharifullah Bhuiya, Professor Mosharaf Hossain, Professor Abul Kalam Azad, Professor B. Zaman and others participated in the discussions.

CSO: 4600/1585

IRAN'S 'INSANE JOY' REGARDED AS 'PRELUDE TO TERROR'

Paris LE MONDE in French 6 Feb 84 p 2

[Article by Paul Balta]

[Text] Roissy, Wednesday, 31 January, 2200 hours: *Doroud bar Khomeiny!* (Long live Khomeyni!) The slogan swells like a drum roll in the corridors of Charles-de-Gaulle Airport. Never have employees witnessed such an unusual sight: In an overheated atmosphere, some 300 Iranians hoist the portrait of Ruhollah Khomeyni, a giant reproduction of the cover of a French daily with the headline "The Man That Made the West Tremble!" The whole ambiguity of the Iranian revolution, which is not yet "Islamic," resides in this microcosm: mullahs in their black kaftans and turbans, members of Mossadegh's National Front, followers of thinker Ali Chariati, members of the Tudeh (communists), supporters of guerrilla movements, Marxist-Leninist leftists: All have come to hail the religious leader who is returning to Tehran after 16 years in exile. Every group chants its slogan before shouting in unison: *Doroud bar Khomeiny! Allah Akbar!* (Long live Khomeyni! God is great!)

It is nearly midnight when the Ayatollah arrives, surrounded by enough policemen to do honor to a chief of state, coming from the modest house in Neauphle-le-Chateau where he has lived since October. His expression impenetrable, white beard, black eyebrows, cold eyes, he is accompanied by his family: his wife, son and son-in-law -- his two closest advisers -- his grandchildren and some 50 faithful followers who followed him during his tribulations from Turkey to Nejef, the Shiite holy city in southern Iraq. He thanks "the French people" before proceeding to the first-class section of the Air France jumbo jet where he will sleep and ask that the stewardesses be made to leave. They retire to the tourist cabin, where the duty-free sale of alcohol and cigarettes has been banned by religious officials.

"Welcome, Guide!"

Some 150 newsmen board the plane with the Ayatollah, far fewer than the plane could hold. This precaution is to allow the pilot of the lighter craft to have enough fuel to return if prevented from landing in Tehran. Mohamed Reza Shah had left Iran on Tuesday, 16 January, carrying a handful of soil, as if knowing he would never return. Since that time, his last prime minister, Chapour Baktiar, has opposed the return of the Imam. On 24 January, the army occupied

the Tehran-Mehrabad airport and halted traffic. Finally, under popular pressure, Bakhtiar softened his position, but no one could rule out a military outburst and tension on the airplane runs high.

An hour before landing, the Imam, wearing Turkish slippers, returns to his seat after saying his prayers. A number of newsmen are authorized to speak to him. Leaning toward the porthole, he watches the scenery below with a meditative look. I asked him what he would feel when setting foot on his native soil. He recognized me (I had already met him twice), hesitated and then replied: "Nothing," the only word he would speak.

Tehran, Thursday, 1 February, 0830 hours. The airplane landed at a deserted airport. Military vehicles were in position. Ayatollah Taleghani, religious leader of Tehran, came aboard and debarked with the Imam. They proceeded to the VIP lounge, bursting at the seams with people, and were greeted by an interminable ovation. The Imam thanked "all classes of the nation, the deprived, the *Bazaris*, university students, workers and peasants, who have demonstrated extraordinary courage in the fight."

Then, in that nasal monotone so unmistakable since millions of cassettes have illegally broadcast it throughout the country, he reviewed his program: "We have overthrown the Shah, but that is but the first stage. We still have a long road ahead of us. The Pahlavi have destroyed everything. We are facing a blank page. We want to destroy the existing system and establish another regime with a different content and different forms. I ask all the Muslim people to preserve their unity. That is the secret of our success."

Then began the first of the 12 mad days that would see the fall of the 2,500-year-old monarchy, the collapse of the fifth largest army in the world and the crushing defeat of the United States which since 1951 had made Iran the "gendarme of the Gulf." From the airport to the center of the capital and from there, to Behechte Zahra (30 kilometers), renamed "Martyrs Cemetery," a human ocean could be seen: 3, 4, 5 million? Everyone wanted to see the Imam, greet him, thank him, touch him. The 40,000 members of the Islamic Service of Order, often overwhelmed, had difficulty protecting his car. Only the invocation *Allah Akbar* could momentarily restore calm, including among the Marxist-Leninist fedayeen, who hoisted red flags bearing the hammer and cycle.

The crowd chanted: "Islamic Republic, Yes; Monarchy, No!" "Yankee Go Home!" "Welcome Home, Guide!" "Your Coming Marks the Beginning of the Islamic Republic!" In the spring sunshine, Iranians on foot, riding scooters and motorcycles, in cars, went to the cemetery. At 1420 hours, a military helicopter brought the Imam to the heart of the biggest gathering in history. He took his place on a chair placed on a platform, surrounded by dignitaries in suits. Two children intoned verses from the Koran.

Once again, in simple, effective terms, this satanic holy man condemned the monarchy, hammering home a theme dear to the Shiites: "The martyr is at the heart of history," and spelled out his short-range plan: "These people shout and repeat that they do not want the Pahlavis and their illegal regime. This government and this Parliament are also illegal. I will bring all these

people before the courts that I shall form. I will call on the soldiers to rejoin the ranks of the people."

A political animal, he knows that a military putsch is possible, that he has not yet won. This revolutionary addicted to the past and imbued with the thought of the first century of the Hegira (7th century) is reassuring: "We are not against television, movies, modernization, but we are against imperialism. We are not against the freedom of women, but against prostitution. We are not against cooperation with other countries, but we want to be the masters in our own home. I shall appoint a government and the people will elect a constituent assembly."

### "The People Chose Me"

After winning, the Savonarola of Islam will withdraw on 1 March to the holy city of Qom and there his tone will harden: "We are going to destroy the vestiges of the West that have ruined us and build the country of Muhammed. We will not say Democratic Islamic Republic because 'democratic' is a Western word. We shall simply say Islamic Republic. Islam guarantees freedom." But the vice was already clamping down on the media. No longer would the pill be sold and wearing of the chador would be strongly recommended until becoming practically obligatory following the 31 March referendum that turned Iran into an Islamic republic.

Monday, 5 February. In contrast with the inflated solemnity of the imperial regime, the theater of the Alavi School near the Majlis (Parliament), where Khomeyni has set up shop in the heart of Tehran, serves as the backdrop for the enthronement of the Islamic prime minister whom the Imam will pit against the imperial prime minister. Bakhtiar bases his power on the 1906 Constitution? Well then, the Imam, who finds it too "Western" and who grants it little credit, explains that his move does not contradict it because it stipulates that "the people are the source of power." "Now then," he says, "through their demonstrations and the number of their martyrs, the people have chosen me as their leader and religion authorizes me to act as I am doing."

A mullah then reads the decree, in the form of an imperial *firman*, naming Mehdi Bazargan head of a provisional government. Thin, curt, bald, chiselled, harsh features, a wispy white beard, this septuagenarian engineer trained in France is a modernist Muslim. A veteran of Mossadegh's National Front, he has also been Bakhtiar's friend for over a quarter of a century. The choice of this reformist is the best possible one. He will calm the alarm of the West and sooth the distrust of the nationalists, secular members of the university and all democrats revolving around the Iranian Association for the Defense of Human Rights and Freedoms created by Bazargan and a few friends. On the other hand, the choice worries the radicals, the Mojahedin Khalq (Muslims) and the Fedayeen Khalq (Marxist-Leninists). The Imam takes no notice of them. The honors they won in the armed struggle in the Siakhel Forest against the Shah in no way change the fact that they are a minority. He will later set about eliminating them!

Wednesday, 7 February. The test of strength tightens between Bakhtiar, whose sole support comes from the army, and the religious leaders, who have secretly allied themselves with its leaders. The prime minister receives us in the sumptuous office once set up by Amir Abbas Hoveida: thick upholstery, leather armchairs, sophisticated furniture. The Shah's picture behind the desk already looks anachronistic, but he himself does not appear to be aware of the imminent perils awaiting him. He emphasizes that he has granted the people all they wanted: the departure of the Shah, the release of political prisoners, freedom of the press, the fight against corruption, dissolution of SAVAK (political police).

Familiar with Gide and Valery -- he has lived in France -- he uses a refined, sometimes flamboyant, language: "Khomeyni wanted all that. I have done it, but I say no to his archaism. He is an ignorant, jealous man. He does not want to hear about Mossadegh although it was he who nationalized the oil! This reactionary is a no-sayer, a destroyer." (LE MONDE, 9 February 1979) Our interview ended with a revealing exchange:

"Are you not afraid that your language is suicidal?"

"Why? I am right."

"Probably, but the revolution is in the streets and they number in the millions."

"They are hooligans. If I can hang on 6 months, the eyes of the people will be opened. They will see that Khomeyni has perhaps done more damage than the king to our economy."

"But are you sure you will have 6 weeks, even 6 days?"

The prime minister was astonished: "Why? It is that grave?"

Thursday, 8 February. At the appeal of the Imam, the people once again go out into the streets at the cry of *Marg bar Bakhtiar!* (Death to Bakhtiar!) Since "black Friday" (8 September 1978), when the army fired on the crowd, and "red Sunday" (5 November); which began the cycle of riots in Tehran, it would be the last of the gigantic processions which, each in its own way, formed a decisive step in the rebellion of a bare-handed people.

### Uprising

In Tassoua on the eve of the great Shiite mourning of the Achoura commemorating the martyrdom of Imam Hussein on 10 December, came the "cortege of protest" authorized in extremis by the Shah on the condition that his name not be decried. On 11 December, it was followed by the "cortege of defiance." The crowd, which had wisely paraded for 8 hours the evening before as far as the Chahyad Arch of Triumph (13 kilometers from downtown) was even larger and, now rebellious, had changed *Marg bar Chah* (Death).

At Arbaine (40 days after Achoura) in mid January, following the departure of the Shah, came the "cortege of the first victory" and for Khomeyni's return, the "cortege of lyricism." That Thursday was the "cortege of the revolution": The slogans were harsher, more political, and larger numbers of demonstrators were in mourning or wore white ribbons around their heads to signify that they were willing to die as martyrs. The climate was revolutionary.

Saturday, 10 February. At 2230 hours the night before, the *Djavidan* (immortals) of the Imperial Guard gave the signal for the uprising without realizing it. They went in seven trucks from the Saltanabad barracks to "correct" the *Homafars* (Air Force technicians), guilty of watching Khomeyni's return on television. The intense shooting continued until dawn. Unarmed Homafars braved the machine guns that decimated them and, shouting "God is great!" reached the Djavidan, whom they strangled with their bare hands. A clamor went up in the city. Residents of the district constantly chanted "God is great!" as the fusillade resumed.

By 0900 hours, the Fedayeen Khalq had rallied 100,000 persons at the university for a political parade. Messengers suddenly stood out shouting: "It is a massacre! The army is firing!" The crowd spread out in the street. Seasoned members of the guerrilla movements would be the spearhead of the insurrection, which caught Khomeyni off guard, as he had banned the use of arms. The time of the *djihad* (holy war) had not yet come. The others occupied strategic points. Barricades went up throughout the capital. Martial law was proclaimed over the radio and a curfew at 1630 hours. The "pirate" radio of the religious leaders quickly denounced these "illegal and illegitimate" measures.

1630 hours. The sun beat down. The feverish city defied the curfew. As if obeying a watchword, streets, city squares and avenues were covered with flowing fires. The burning tires gave off a thick, black smoke, forming a protective screen and a rallying sign. No district escaped the rioting. In the night, police stations were attacked, looted and burned.

Sunday, the 11th. By 0500 hours, some 50,000 persons had surrounded the weapons plant near Place Jaleh, where the massacre of Black Friday took place. Those under attack know that if they fire, they will not be able to prevent the crowd from attacking and murdering them in turn. They debate and give up in exchange for their lives. Then came the rat race. Hastily joined by mullahs in their kaftans, wearing machine guns, members of the guerrilla movements carry off the weapons to protect them, but using a few to attack other targets. Messengers on scooters act as liaison and issue watchwords passed by word of mouth: "To the radio station!" "To the military police!" Barracks, administrative buildings, imperial palaces fell one after the other.

Monday, the 12th. In its first bulletin, the radio read a communique from the Fedayeen Khalq announcing that they controlled the airport. The last day of the "three glorious days" was devoted to putting down the last pockets of resistance of the supporters of the Shah. A race immediately began between the religious leaders and the other political movements. But the former are shrewd enough to immediately take the centers of power: police, SAVAK, media, justice.

## Purge

In less than 20 days, the climate deteriorated considerably. Khomeyni announced that the "criminal Bakhtiar" had fled abroad. The purge of the army began. Military men and politicians were summarily tried and executed immediately on the rooftop of the room where Khomeyni slept, for fear that in speaking, they might compromise religious leaders who collaborated with the old regime! Revolutionary committees flourished led by mullahs known to be "conservative" but suddenly stricken with disturbing activism. Young people caught drinking were flogged, the cellars of the great hotels looted and homosexuals shot. Ethnic and religious minorities became afraid. Intellectuals grew worried.

One writer told us at that time: "We did not get rid of one monarchy to swap it for a 'mullahrchy'!" This play on words became popular but the peccadillo, added to others, caused its author to be thrown into prison, from which he emerged only recently. An occult power was established. Religious leaders patiently took power by systematically eliminating all their political rivals, beginning with the weakest one. Masser Pakdaman, one of the most lucid intellectuals, pressed the issue and prophesied at the time: (LE MONDE, 2 March 1979): "If we continue down this path, the country will move toward a fascistic populism."

See: "La Terre A Bouge en Iran," by Billes Anquetil, Hachette, Paris 1979; "L'Iran Insurge," by Paul Balta and C. Rulleau, Ed. Sindbad, Paris 1979; "Iran: La Revolution au Nom de Dieu," by C. Briere and P. Blanchet, Seuil, Paris 1979; "La Chute du Chah," by Fereydown Hoveyda, Buchet-Chastel, Paris, 1980; "Khomeiny et sa Revolution," by Mohamed Heykal, Ed. Jeune Afrique, Paris, 1983.

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SPORTS STADIUM REPORTEDLY CENTER FOR MILITARY TRAINING, INDOCTRINATION

London AL-DUSTUR in Arabic Nos 318-319, 26 Dec 83 pp 14-15

[Article by Dr 'Ali Nurizadeh: "The Gulf: An Exciting Investigation of a 'Base' for Launching Terrorists"]

[Text] Manzariyeh has a beautiful garden in north Tehran situated near "Tochal" Mountains in the Nayafaran area. The late Shah's father presented it to the Kashfiyeh Club, and for half a century the club has been holding festivals, ceremonial occasions and meetings there.

The Imam came and the Kashfiyeh became the filthy work of Satan. The Kashfiyeh Club's properties, including the Manzariyeh garden, were confiscated. The garden's gates were closed at the end of 1981 when Ayatollah Montazeri gave it to the brother of his son-in-law Hojjat ol-Eslam Mahdi Hashemi for his personal use. It must be said that Hashemi was as notorious as Khomeyni before the revolution because of an atrocious act he committed that shook up Iranian society.

Hashemi was Montazeri's agent in Isfahan in 1975. He used to preach at mosques and collect the khams [taking one-fifth of the people's property as a tax] and charity contributions for Montazeri and Khomeyni. However, because of his private life the Isfahanis did not trust him, especially when he published a book in which he claimed that the Imam Hoseyn did not fight in Ibn Ziyad's army because of his faith in God and in his mission. Rather, he fought out of love of power. This book was criticized and one of the leading ulemas of Isfahan the great Ayatollah Shamasabadi charged Hashemi, Montazeri and their supporters with infidelity.

Hashemi disappeared for a week and at 5:30 am one winter day went with some of his followers to Ayatollah Shamsabadi's house in the village of Qahderijan in a southern suburb of Isfahan. When the ayatollah, his wife and a friend emerged to perform the morning prayer in the mosque, Hashemi and his followers seized them and took them out of the village. After torturing and killing them, they decapitated them and cut off their feet and then fled to the city of Najafabad, but within a week of the atrocity the authorities captured and tried them in the Supreme Criminal Court of Isfahan. The sessions of the trial were a vivid example of the history of justice in Iran. After sentencing Hashemi, his brother (Montazeri's son-in-law), and five of his followers

to death, the judge sent them to the central prison in Isfahan until he set the date for the execution. But Hashemi and his followers were lucky. for the historic events in Iran began and in his desire to gain the mullahs' good will, the shah ordered a stay of execution. As a result, the gates of the prison were opened and the criminals and murderers released among them Mehdi Hashemi and his followers. Because of his relationship to Montazeri, Hashemi became the latter's private secretary. However, after the rise of the Islamic Republic Party and the murder of Montazeri's son Mohammad, one of his positions--the presidency of the Center for Relations with Liberation Organizations--was assigned to Mehdi Hashemi. He was also given the Manzariyeh garden for use in training what was called the "vanguard of liberation forces in the Arab and Islamic countries."

During the last 2 years the Manzariyeh garden has become a center of the "Alamut" craft. Despite the fact that Hasan al-Sabbah lived in the same stronghold with his followers while Khomeyni does not live with his disciples in Manzariyeh, Khomeyni's palace in Shemran is no more than half a kilometer from the garden. Khomeyni would frequently visit the streets and gardens of his earthly paradise and describe for the youth being trained in the garden ways of reaching paradise, sometimes by blowing themselves up, like the hashashiyin [Sect of hashish addicts] who used to hurl themselves to destruction from the "Alamut" stronghold, and sometimes by other means such as viewing his face or kissing his hand.

More than a thousand youths from 20 Arab and Islamic countries now live in Manzariyeh under the supervision of Hojjat ol-Eslam Mahdi Hashemi. Five thousand young Iranians, the oldest 17 years of age, are being trained in another part of the garden to be sent every month to the battlefields to walk over the mines and reach "paradise." The only difference between the Iranian youths being trained as kamikazes and the Arab and Muslim youths being trained the same way and in the same place is the difference in goals and missions. The Iranians are wanted by the regime for the fronts with Iraq while the non-Iranians are wanted for foreign assignments and destabilization of Arab and Islamic countries.

Young Arabs and Muslims are selected by Khomeyni's embassies abroad. When the former Iranian charge d'affairs in North Yemen announced that he was defecting, seeking asylum in Britain, and joining the National Resistance Movement led by Shahpur Bakhtiyar, he said one of his tasks in Yemen was to make contact with Muslim youths and entice them by promises and financial aid and then arrange visits to Tehran through granting unauthorized transit visas to facilitate their leaving Yemen. He disclosed that Khomeyni's embassy in San'a sent 54 young Yemenis to Iran during the last 9 months he spent in Yemen. These youths returned to Yemen after undergoing training in Manzariyeh.

The training programs last 3 weeks during which time they meet with the regime's leaders and start to take pills or the "martyrdom potion." Actual training begins 3 weeks later. It involves both training in the use of weapons and explosives and attendance at ideological indoctrination sessions, and most important of all, it is in Khomeyni's "Alamut" stronghold. The first lesson given the Arab and Muslim youths in the ideological sessions is

how to cast off their nationality. For example, a Muslim youth from Kuwait is told:

Question: Who are you?

Answer: I am Husayn al-Fulani.

Question: Your nationality?

Answer: Kuwaiti.

The teacher then says to the young Kuwaiti: You are Hoseyn and your nationality is Islam and your imam is Imam Khomeyni in whose heart shines the mission.

Your future is in his hand. He is the ultimate key.

Many young Arabs and Muslims are fearful the first few days after entering Manzariyeh, but the trainers soon captivate them.

Every day, early in the morning, the sirens sound awakening the young men. They leave their rooms to pray, but first they perform what is called the dawn prayer, the literal text of which is:

"Peace be on you O Adam God's chosen one, peace be on you God's prophet, peace be on you O Abraham God's friend, peace be on you O Moses God's spokesman, peace be on you O Muhammad God's prophet, and peace be on you O Khomeyni God's spirit!" Reflect on it!

The programs then begin and after 8 weeks those who pass the test receive a diploma signed by Khomeyni himself. The test is not merely a set of questions and essays. It also includes a practical test that must also be passed.

In the practical test the trainer gets to know how concerned the hashish-using feda'iyeh is about the idea of death. After the young man receives a diploma, he is brought back to his native land by a special route. He then has to keep in constant touch with Khomeyni's embassy in his country until he is chosen and drugged to face his fate. In the Iranian embassy is a special section controlled by a group of Khomeyni's followers who possess large quantities of pills and "martyrdom potions," bombs and explosives. When the time comes, the terrorists are contacted by the martyrdom school which explains to them their assignments and gives them pills, bombs and keys to the gates of paradise.

This is an accurate summary of what happened in Beirut and Kuwait.

Hasan al-Sabbah used to claim that he grants life to whomever he wishes and denied it to whomever he wishes. But Ayatollah Khomeyni has a much easier task. He is content with capturing souls, and he doesn't grant life to anyone!

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RAIL CONNECTIONS AGAIN RESUMED BETWEEN USSR, IRAN

Helsinki HELSINGIN SANOMAT in Finnish 29 Feb 84 p 31

[Text] Freight transport from Finland to Iran by rail through the Soviet Union has resumed after a three-month halt. At the beginning of February, with a great number of freight cars backed up, the Soviet Union prohibited all traffic in its Julfa border station from crossing into Iran.

At this moment, it is still unclear how many freight cars daily from Finland will be allowed to go through the Soviet Union to Iran in March. The Soviet Transportation Ministry has sent a note to Finland stating that next month 300 cars with [Finnish] freight could be accommodated. In addition, the note requested that nearly 400 [additional] cars be allowed to pass through Finland with transit goods.

"We have not yet been able to reply to this note," stated Transportation Inspector Kalevi Aikas of the Railroad Authority on Tuesday [28 February].

The ban on loading freight destined for Iran was issued on 4 February, and the border was closed two days later. Departure of railroad cars was able to be resumed last Saturday.

Cars are now being sent according to the February quota: 12 cars daily with Finnish freight and 18 cars with transit goods. The greatest part of the traffic goes through Niiala in Finland into the Soviet Union at Vyartsilya.

The main products exported from Finland to Iran are paper and lumber goods. Some 90 percent of our total exports to Iran in the winter passes through Julfa. Bans on loadings have been previously issued, with transport generally being halted for two weeks to a month.

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REPORTER COMMENTS ON CONDITIONS PREVAILING IN IRAN

Auckland THE NEW ZEALAND HERALD in English 8 Feb 84 p 6

[Article by Gwynne Dyer]

[Text] More modest political dogmas seek to guarantee everyone "life, liberty and the pursuit of happiness," or to spread the dictatorship of the proletariat over the whole world, but the Islamic republic of Iran has no truck with half-measures.

"The aim of government," the constitution firmly states, "...is the establishment of a divine order."

Five years after the revolution that overthrew the Shah (February 11, 1979), however, the divine order in Iran is still distinctly provisional.

As long as the war with Iraq lasts, patriotism and the Shia cult of martyrdom make the new order unassailable.

At Behesht-e-Zahra, Teheran's main cemetery, the graves of "martyrs" killed in the war stretch away into the distance, and the water spurting up from the fountains has been dyed blood red to emphasise the lurid cult of the dead that grips Iran.

Daily life is still distorted by the oppressive attentions of licensed zealots. "Islamic Sisters" are installed in the entrance halls of many office buildings, for example, to pull on the eyelashes of female employees (to make sure they are genuine) and to catch any brave enough to wear make-up.

'Godless Idiot'

Men like Assadollah Lajevardi, the "revolutionary prosecutor" of Teheran, still wield much power. He has personally ordered the execution of at least 3000 people, usually after extensive torture, and it was he who had the bright idea of draining the blood from death-row prisoners for use as plasma.

It was also Lajevardi, in a recent interview, who referred to Joseph Stalin as "that godless idiot who killed 60 million in the service of his stupid socialism," and added: "Isn't Islam worthy of a similar tribute to its grandeur?" The revolution has not run out of hatred yet.

Nevertheless, it is five years old, and it has developed an array of institutions and vested interests like any other regime.

The phase of revolving-door governments, praised one month and denounced or blown up the next, is long past; President Ali Khamenei and the Prime Minister, Mr Hossain Mousavi, have now been in office for two years.

Moreover, beneath the obligatory layer of Islamic rhetoric that coats every issue, it is now possible to discern groupings within the Government that satanic foreigners would describe as radical and conservative.

#### Keeps Distant

The Islamic radicals from civil life and the lower clergy regularly run up against the resistance of the landlords, the bazaar merchants, and their allies in the higher clergy.

Ayatollah Khomeini himself is basically on the side of the radicals when he deigns to take notice (and provided they can defend their wishes with sound Islamic arguments).

But he keeps himself distant from the everyday work of administration, and few revolutions have had less effect on the economic structure of society after five years of untrammelled power.

The urban poor who were the foot-soldiers of the revolution still idolise Ayatollah Khomeini, for they are cushioned from severe hardship by Iran's oil-fuelled welfare state and fired by wartime patriotic ardour.

But their real situation has scarcely changed at all economically, and neither has that of the peasants. It raises some serious doubts about the future of the Islamic republic after the war ends, and especially after Ayatollah Khomeini dies.

The Ayatollah is 83, but he seems in reasonable health and he comes from a long-lived family: His elder brother is still going strong at 95.

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END